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NEWS SUMMARY

IERAL BUSINESS

Urry Grocery bills up f EEC in despite London price war

British Government's sixth presidency of the European Community comes to an end this week with a flurry of ministerial meetings, culminating in the EEC Heads of Government summit in London on Wednesday and Thursday, followed by the Prime Minister's trip to Brussels for a tripartite conference of EEC governments, employers and unions will be presided over by Mr. Denis Healey when Mr. John Slikin will chair a Council of Ministers devoted to fisheries. Tomorrow Mr. Albert Booth, Employment Secretary, is due to address a Council of Socialists to discuss reforms of the social fund. A job of representing the externally and chairing all meetings passes from J.K. to the Belgian Government for the second half of the on Friday. Back Page

ithread review

set 200 vessels, including 20 ships from foreign and Commonwealth countries will take in the Queen's Silver Jubilee review at Spithead today. Fishing vessels, lifeboats, two oil tankers and a car will be in the line-up to be reviewed by the Queen. More than 30 people were taken to hospital after a boat carrying 100 Dorset visitors to the Spithead gathering for the Spithead review smashed into a pier wall.

ett wins mile

Overt, a 21-year-old Brighton student, beat New Zealand's Walker into fourth place in the U.K. national mile for the mile of 3 min. 10 sec. at Crystal Palace, today. Page 2

spapers hit

London edition of the News of the World did not appear today because of a dispute over the use of unofficial action by a union over a demand for payments. The Observer is delayed by a dispute over an article about the Grunwick affair. Mr. Len Murray, general secretary, persuaded the two production units involved to return to work. Statements from the news were published by the paper. Back Page

about is born

French territory of the and the Issas formally the independent republic Djibouti at midnight. The main tribal groups, Afars and the Issas, are led in Ethiopia and Somalia actively, and both Left-wing lay claim to the territory of the Horn of Africa that has become the 49th African state.

ugees arrive

r a three-month sea voyage, Vietnamese refugees in three fishing vessels landed on the West Northern coast of Australia. The Immigration Minister today would be flown to Sydney and allowed to remain temporarily. Sixty-six Vietnamese refugees flew into Israel from the air after several Asian countries refused them asylum.

ieff: . . .

e, Lady Baden-Powell, World Scout Guide and widow of Sir Robert Baden-Powell, founder of Scout and Guide movements, died, aged 88. She is to be buried in her husband's grave in Kenya.

reandan Corish, leader of and's Labour Party since 14, has resigned. Page 4

year's Keith lectured will be Rev. Dr. Edward Norman, a of Peterhouse, Cambridge, will give six half-hour radio 1.1m. ordinary shares at 50p. Page 28. Men and Matters, Page 14

Mr. Norcross held pre-tax profits Minister, has banned steady at £12.08m. in the year king during Cabinet meetings. Page 28

COMPANIES

● SOTHEBY prospectus—for its share offer at 150p to raise £5.78m.—is published today. Page 28. Men and Matters, Page 14

● CITY HOTELS GROUP has arranged a Stock Exchange quotation, after a placing by Barclays Merchant Bank of 1.1m. ordinary shares at 50p. Page 28. Men and Matters, Page 14

● NORCROSS held pre-tax profits Minister, has banned steady at £12.08m. in the year king during Cabinet meetings. Page 28

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For latest Share Index phone 01-246 8026

Chequers meeting rules out reflation before the autumn

BY RICHARD EVANS, LOBBY EDITOR

The Cabinet agreed at an all-day session at Chequers yesterday that there should be no general reflation of the economy before the autumn at the earliest.

The decision was one major result of a wide-ranging discussion of Cabinet strategy that had as its objective the Government's retention of power for a further 18-months to two years (the maximum Parliamentary term) in spite of the vulnerable minority position in the Commons. There was apparently general agreement among Ministers that although views differed on the timing of reflation, the first priority must be to continue with current economic and industrial policies and to ensure the continuation of the Parliamentary pact with the Liberals in the autumn.

There had been fears among Ministers that the Chequers meeting, called to take stock of the Government's precarious position, would expose a split between Mr. Denis Healey, Chancellor of the Exchequer, and some Left-wing members of the Cabinet who have been increasingly restless at his refusal to reflate in advance of a new pay agreement.

But the indications last night were that following the intervention of Mr. Callaghan at the weekend, Ministers have given their support to Mr. Healey to await the outcome of the negotiations now under way with the TUC and CBI on the next phase of the pay policy before a judgment can be made on the need to reflate in the autumn. The whole inference of the

Trafalgar prepares £12½m. bid for Beaverbrook

BY MARGARET REID

A CLASH is looming over the price for the non-voting shares of Beaverbrook Newspapers. A £12½m. bid for the group is being prepared by Mr. Nigel Brookes of Trafalgar House, which could invest a further £20m. in Beaverbrook if the bid succeeds. It became clear yesterday that Trafalgar House was prepared to bid provided the terms were acceptable to the family of Sir Max Aitken, the chairman, and the Beaverbrook trustees controlling the voting capital, to the company, and to the City Take-over Panel.

The price discussed is 22½p in cash for the ordinary, which closed 55p up to 30p on Friday, and 65p cash for the non-voting "A", up 21p to 59p on Friday. But Sir James Goldsmith, whose Cavenham food group holds some 40 per cent of the Beaverbrook "A", and who, with Lombro's Mr. Tiny Rowland, had earlier proposed to buy the shares, is expected to offer a "comparable" offer for the non-voting shares.

Mr. Brookes said last night: "We would be prepared to offer a 10 per cent premium on the ordinary shares of Beaverbrook Newspapers, and first the advisers to the trustees and the advisers to the company must agree with the Panel what the split should be between the consideration for the voting and the non-voting shares." In an allusion to the sum of up to £10m. or so thought to be required by Beaverbrook to secure its future (covering refunding of certain debts and contemplated redundancy payments), Mr. Brookes added: "From our point of view, we're quite happy to contemplate putting in £5-10m. initially. Beyond that, we would be prepared to put in another £5-10m. to the extent to which it was found to be worthwhile."

Human rights campaign has hit arms talks, Carter says

BY DAVID BELL

PRESIDENT JIMMY CARTER conceded publicly for the first time this weekend that his human rights campaign had proved a much greater obstacle in the way of improving relations with the Soviet Union than he ever expected. Mr. Carter, speaking to a group of newspaper editors, disclosed that virtually no progress had been made on a new strategic arms agreement and noted that his "aggressive human rights policy had led to significant changes in U.S. relations with countries in other parts of the world, notably Latin America. The President's sober assessment of U.S.-Soviet relations coincides with a number of other indications of growing strain in relations between the two superpowers. In Paris on Friday Mr. Cyrus Vance, the U.S. Secretary of State, conceded that relations in a number of areas were strained. The Russians launched a strong attack on Western pre-occupations with the human rights issue at the Belgrade conference on European security, threatening to walk out if this undue emphasis continued. Soviet-American relations were

at the head of the agenda in a detailed review of American foreign policy which took place at the White House yesterday. Mr. Vance reported to the President on his meeting with President Valery Giscard d'Estaing of France. He relayed a message to President Carter from Mr. Leonid Brezhnev, the Soviet leader, who saw the French President in Paris last week. Also at the meeting was Vice-President Walter Mondale and Dr. Zbigniew Brzezinski, the President's increasingly influential national security adviser. In his interview the President, choosing his words with customary care, seemed markedly less optimistic than in the recent past. Noting that "I cannot guarantee success," he added that "some of the international issues are going to take more time to resolve, if they are solved, than I had previously thought." Mr. Carter did not suggest that he is having second thoughts about his human rights policy, but he said that "there has been a surprising adverse reaction in the Soviet Union to our stand on human rights. I have never said anything except complimen-

Crucial Morpeth decisions expected

BY MICHAEL LAFFERTY

CRUCIAL DECISIONS on the future of the controversial proposals for introducing current cost accounting (CCA) could be taken at Wednesday's meeting of the Accounting Standards Committee, the rule-making body on company accounting matters.

The proposals—known as Exposure Draft 18—were drawn up last year by a group headed by Mr. Douglas Morpeth. Influential members of the standards committee, to which the Morpeth Inflation Accounting Steering Group reports, are expected to call for the ED18 proposals to be dropped, and a new start to be made on working out a more practical CCA system of inflation accounting. There are likely to be demands for the steering group to be re-constituted. The meeting takes place just a week before members of the English Institute of Chartered Accountants are due to vote at a special meeting convened by two Burgess Bill, Sussex, accountants to consider whether CCA should be compulsory.

Devolution

Mrs. Thatcher and her senior Conservative colleagues will be supremely sceptical that an administration that has shown itself as accident-prone as Mr. Callaghan's in recent weeks can possibly survive for so long. But for the Government the prize of eventual electoral success based on a buoyant economy could prove a powerful unifying force.

While the Cabinet was meeting from 10.30 to 5 p.m. with a break for lunch, Liberal MPs were gathered at a London hotel to review their part with the Government. The initial signs—the meeting will continue today—were that Mr. David Steel, the Liberal leader, will gain his party's support for continuing with the pact, provided the Government meets certain legislative wishes of the Liberals.

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One vital factor that was underlined by Mr. Healey to his cabinet colleagues was an estimate that there would be no reduction in average living standards this year as there was last. The Chancellor's message was simple—the current economic policies were succeeding, but the full effects would not be felt for 18 months to two years—hence the importance of retaining office.

Among the specific issues that will be given priority in the coming months apart from continuing attempts to bring inflation down to single figures will be the reduction of unemployment, especially among young people, developing what is termed the "caring society," planning for more industrial democracy, and the maintenance of the stability of the £ and the country's balance of payments.

Although the programme for the next parliamentary session was not the Cabinet agenda no firm decisions were taken. It is already clear, however, that the major part of the legislative time will be taken up by a new Bill on devolution to Scotland, by

Continued on Back Page Editorial Comment, Page 14

Blow to hope of Grunwick settlement

BY DAVID CHURCHILL, LABOUR STAFF

HOPES OF a mediated settlement in the 11-month dispute at the Grunwick film processing laboratories in North London, where almost 300 pickets have been arrested in the past two weeks, received an apparent setback last night.

Mr. George Ward, managing director of Grunwick, refused to bind himself to accepting the findings of any inquiry under an independent mediator set up by Mr. Albert Booth, Employment Secretary. In addition, Mr. Booth urged trade unionists who were planning to join the mass picket outside the Grunwick factory to "cool it." Even so, there are expected to be more than 500 pickets asked for by APEX on the picket lines this morning and this could lead to further violent clashes between strikers and police.

Challenge

But Mr. Ward offered to cooperate with the mediator "so far as my attendance at the High Court hearings permits," in a letter to Mr. Booth. The hearings are due to start next Monday. The company is challenging a recommendation by the Advisory Conciliation and Arbitration Service that it should grant union recognition.

Mr. Ward made it clear that he believed the dispute could be resolved only in the High Court and not through an inquiry which did not have the force of law. "I will bind myself to observe those judgments arrived at by the process of law," he told Mr. Booth.

The chances of reaching a negotiated settlement outside the court's ruling on the validity of the ACAS recommendation, were also dashed by Mr. Ward when he insisted that "in no circumstances can Grunwick ever renege its offer to introduce a new system of inflation accounting."

Despite Mr. Ward's refusal to be bound by a mediator, Mr. Booth last night welcomed the tone of the letter. He invited Mr. Ward to further talks at the Department's offices today.

BP offer is subscribed 4.7 times says Bank

BY MARGARET REID

THE GOVERNMENT'S record-breaking £564m. offer of British Petroleum shares has attracted a heavy over-subscription with would-be purchasers applying for some 4.7 times the 68.7m. shares put up for sale. The Bank of England disclosed yesterday. This means that some £860m. was received from investors, who had to provide 300p of the 845p-a-share price with their application forms. Total applications turned out to be very close to the estimate that up to five times the number of shares would be offered would be applied for.

The anxiously awaited statement of the basis on which the available shares will be allotted to applicants will be made by the Bank of England at 3 o'clock this afternoon. The Bank is expected to confirm that some 25 per cent of the offer is being withdrawn for sale to American investors, and then to reveal how the remaining 50m. or so shares will be distributed. Dealings in the new partially-paid BP shares will then take place on the Stock Exchange from 3.30 p.m. to 5.30 p.m., an offer would be applied for.

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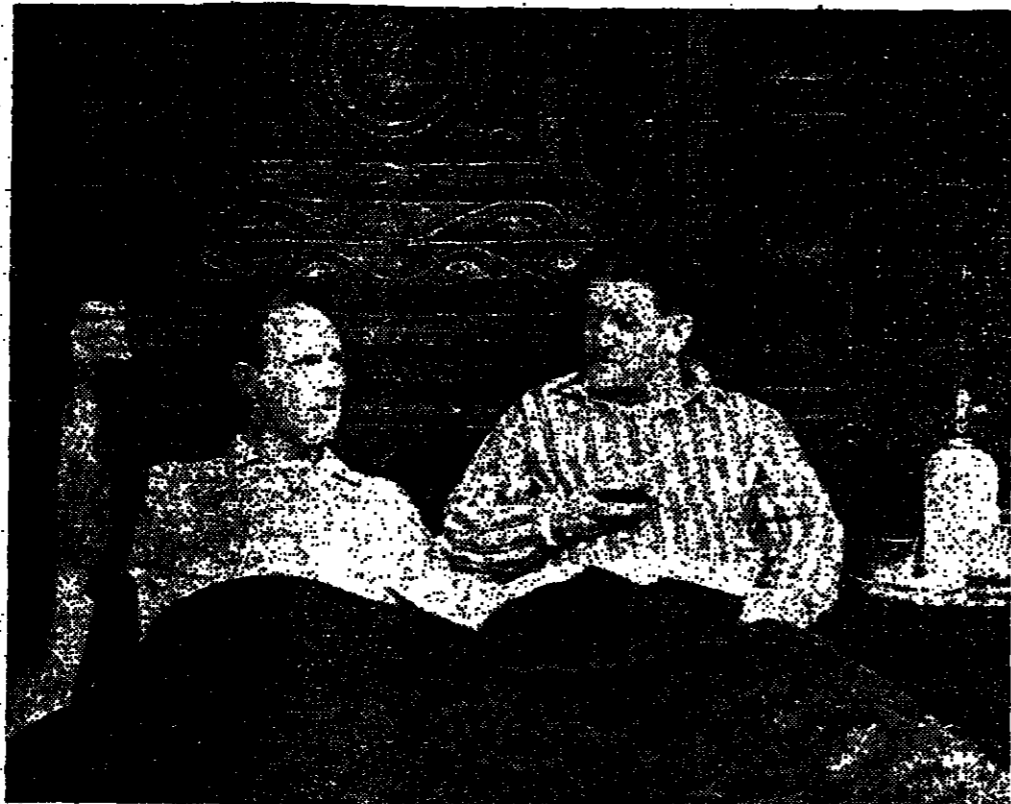
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Shaw Festival by B. A. YOUNG

Shaw Festival at Niagara-on-the-Lake is playing its 16th season

One hundred miles from Ford's Shakespeare Festival, Shaw Festival at Niagara-on-the-Lake is playing its 16th season...



Patrick Whitehead as Ronald Gamble and Tony van Bridge as Sir Hector Benbow in 'Thank'

It happened, my first sight of Whitehead was in Thank the Festival Theatre, as old Gamble, which I suppose always be known as the...

Tony van Bridge is a solid Sir Hector with a proper contempt for anyone's feelings but his own. You are a good girl aren't you? Then don't waste my time... Carole Shelley gives an enjoyable performance as Cherry Buck...

Mr. Whitehead has been excessively concerned with his problems over Man and Superman for Widowers Houses at the Little Courthouse Theatre...

Performance like a Chieftain tank. Lickchessie the rent-collector (Owen Foran) is handicapped initially by a beard so obviously false that I thought he might suddenly pull it off and reveal himself as the Fairy Godmother...

Albert Hall Forest Philharmonic by ARTHUR JACOBS

The Forest Philharmonic Orchestra describes itself not as an amateur but as a "community orchestra." After last night's splendid and astonishing performance of Mahler's Eighth Symphony...

Palladium Neil Diamond by ANTONY THORNCROFT

The size of Neil Diamond's ego and with so many people following is almost as large as his ego. He looks good, but thinking he is marvellous it is perhaps not surprising that he should go along with the mass two professional dancers will vote...



Neil Diamond

Wigmore Hall Sena Jurinac by MAX LOPPENT

For the much-loved Yugoslav soprano on Saturday, roof-raising cheers from a packed Wigmore Hall, and throughout the evening the most genuine and abundant kind of audience affection. Her Lieder recital proved once again that...

Livingstone Seagull says and to sing the songs as if they were the National Anthem is ludicrous. Diamond's real classics are Diamond a decade old now, but when he goes into "I am Sweet Caroline" he is said or "Sweet Caroline" he is almost as good for a few moments as he, and his fans, think he is.

The City Music Trail

The City Music Trail celebrates the Queen's Silver Jubilee by drawing attention to the historical, musical and literary associations of areas of the City, through which Queen Elizabeth I passed on her coronation procession in 1558/9...

Maltings, Snape

The Fairy Queen by RONALD CRICHTON

The nearest thing to a staged opera at the present Aldeburgh Festival was a single performance of English Music Theatre's Fairy Queen, reviewed here by Kenyon after the sweep and flow and visual effect of the Maltings in poetry brought by William Doeherty's designs which...

Where the versatile and willing young company did not show up so bravely was in the solo singing. The choruses went well and there were four soloists—Ann Murray, John York Skinner, Nell Jenkins and John Tomlinson—who in some, but not all, of their multiple incarnations brought distinction to Purcell's marvellous fund of melody and dramatic expression...

As a Jubilee offering this Fairy Queen doesn't quite make it. Clifford Curzon's recital at the Maltings included a Brahms group which incidentally complemented Michelangelo's Brahms in Zurich earlier in the week. Michelangelo played the four early Brahms (Op. 10). Curzon chose late Intermezzos and Capriccios. The styles were complementary as well, so distinct as to almost justify the dangerous oversimplification of Classical and Romantic, North and South. Where the Italian was Olympian, austere in a Southern way, instinctively filling the music with Nations warmth, the Englishman offered more anxiety, more shadow, more black and white. Neither way is right or wrong. A pianist great enough to hold the two views in perfect balance is nearly unthinkable. Only the finest players reveal enough to set one thinking in such terms.

Like Michelangelo, Curzon gave his group of what to some minds may appear as "lesser" Brahms the place of honour before the United Nations opened with Beethoven's D minor Sonata from Op. 31, in a reading stormy and unsettled in not quite the right way. There were, typically, forks of sudden, revealing lightning, also a feeling of the first movement that the turbulent music was being too deliberately clawed at. But Schubert's B flat Sonata brought mellowness and sustained delicacy to atone for anything why oh why was the first movement energetic extraversion that the joy of the remainder could have been more fully savoured still by being longer postponed? On the same evening, in the same hall, John Williams and Paco Peña shared a recital of classical and flamenco guitar...

Festival Hall Haffner Serenade by RONALD CRICHTON

Nothing, it seems, reduces an audience so easily as the less subtle works of favourite composers—or how explain that so admirably chosen programme conducted by Edo de Waart yesterday afternoon for the English Chamber Orchestra by drew an Elizabeth Hall's 10th of people to the larger hall? If a summer afternoon has to be spent indoors on the Bank, one can hardly imagine a more attractive lecture than Schubert's "Italian" in C, the Nuits d'été Berlioz with Janet Baker as host, and Mozart's Haffner serenade. One can understand why the serenade is neglected. For the recitativo movements it seduces a violinist of superior quality (the ECO needed to look further than their leader de-Luis Garcia, who played with polished, limpid tone, sliding short but entertainingly added cadenzas). The work is long enough to make the commission of the rest of the programme difficult, and ideally it relies on at least a short interval (for handing round?) between the concerto movements and the rest. In spite of the brilliance of much of the playing, it imperatively needs a more intimate hall than this one. The popular Symphony named after the same lucky Haffner is at least in the form we know it more compact, even more

lovable perhaps, but not so rich in prodigious surprises, from the disturbing, melancholy pages in G minor and D minor to jokes like the extra note added to the insistent horn phrase in the concerto Rondo the last time round or the juggling with slurs and accents at the very end. And this still leaves the diversity of the three minuets with their so various trios, and capacity for producing new tunes (even if some of them sound like quotations) that rivals Schubert in his Octet. Mr. de Waart seemed anxious not to inundate the music to fill unnecessarily large spaces. This meant a certain lack of brio and cutting edge (more rustic timbre from the woodwind would have been an advantage) but left much stylish playing to enjoy. The Schubert, which does not need the al fresco touch, was better balanced between the departments. Anyone lucky enough to hear Janet Baker three times in a week will feel reluctant to cavil in her singing of the Nuits d'été there are wonderful things in the way of matching tone to mood—the happiness of Villanelle and "L'Isle Inconnue," the blank, drained despair of the cycle "Sur les lagunes." Yet the cycle as a whole, which has eluded many fine singers in the past, is not quite within her grasp. The refrain of "L'Absence" is as so often, a stumbling-block. Maggie Teyte, who did the rest of the song so beautifully, had difficulty with that phrase. There was a misleading note about "La Spectre de la rose." Gauthier's poem gave Jean-Louis Vaudoyer the title and idea for a ballet scenario for which Fokine used Weber's Invitation to the waltz. "Except presumably as orchestrator of Weber's piano piece, Berlioz was not involved.

Festival Hall Boult/RPO by ARTHUR JACOBS

In accordance with etiquette, the conductor insisted that the soloist precede him on to the platform. But it was Sir Adrian Boult whom the audience rose to its feet to welcome, and later to farewell, at Friday's Nations Association. He confined his appearance to accompanying the Stephen Bishop-Kovacevic in Beethoven's Piano Concerto No. 4, the Royal Philharmonic Orchestra's other items being given by the Sibelian conductor Gaetano DeLogu. Both conductors and the soloist, donated their services. Boult resented the orchestra as is his practice. He is now almost alone in cherishing the "classical" plan of dividing the violinists, so that the second violins on his right play antiphonally to the first. It must be said that the force of this is weakened when the presence of a pianist pushes the conductor's rostrum further back on this occasion some of the seconds had to play virtually with their backs to the audience in order to see the beat. Nonetheless, Sir Adrian, at the age of 88, provided an accompaniment that was trim, meaningful, and fully congruent to the soloist. As for Mr. Bishop-Kovacevic, his Beethoven is almost too well known (would he dare to forsake him for a year or two?) and now cannot escape the occasional suggestion of trying too hard. In the slow movement it seemed capricious that the repeated rising-and-falling phrase so near the famous swell-and-diminish effect which the composer demands, and the final note which resolves the harmony was so soft as to be inaudible from where I sat. With Rossini's William Tell overture, a conductor can hardly fail. But it was astonishing that Mr. DeLogu arrived at his final climax a few bars too early to continue with mere sustained noise. Precisely the same fault of timing marked the first movement of Sibelius's Fifth symphony, during which the big theme for trumpets failed to make an emphatic entrance because Mr. DeLogu allowed the rest of the orchestra to drown it. Even that swinging, bell-like tune for horns in the finale—the one which seals the popularity of this symphony—lacked weight on its first note. One does not like to suppose that charity concerts have to skip rehearsal time in order to cut down expenses, but that is perhaps the most "charitable" explanation for some occurrences on this particular evening.

Stoppard play for Festival Hall

The John Player Centenary is secondary to the drama. Festival is presenting the Royal Shakespeare Company in the second premiere performance of Every Good Boy Deserves Favour, a new play by Tom Stoppard, on Friday July 1 at the Festival Hall. Although Andre Previn has written music for this play, and himself will conduct over 90 players from the London Symphony Orchestra, the music humour.

Only three paintings have ever been auctioned for £1,000,000 or more.

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Velazquez: Portrait of Juan de Pareja. Sold in 1970 for £1,200,000. Now in the Metropolitan Museum, New York.



Triani: The Death of Acton. Sold in 1971 for £1,040,000. Now in the National Gallery, London.



Duccio: The Crucifixion. Sold in 1976 for £1,000,000.

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OVERSEAS NEWS

Barbados seizes arms for Guatemala

An international investigation was under way yesterday following the seizure in Bridgetown, Barbados, of 26 tons of arms aboard an Argentine-registered aircraft apparently bound for Guatemala, police officials said.

Police yesterday continued to question the five crew members and two passengers including a 15-year-old boy from the aircraft. They are being held in connection with offences against Customs regulations.

The arms discovery comes at a time of diplomatic concern that the tense situation in the Caribbean generated by Guatemala's territorial claims to the neighbouring British colony of Belize might turn into open confrontation.

Guatemala has claimed the central-American British colony since Guatemala's independence more than 150 years ago.

The Government plans to ask U.S. cities other than New York and Washington whether they would accept flights by the super-sonic Concorde airliner.

Support for Djibouti Somalia yesterday announced recognition of the new Republic of Djibouti and pledged that it would "resolutely support the people and Government of Djibouti in their just struggle to safeguard their state sovereignty."

China has also decided to recognise Djibouti, the former French territory of the Afars and Issas which became independent last night, the New China News Agency reported.

SECRET MEETING IN DAMASCUS

Arab talks aim at increased military and political links

BY HSIAN HUIAZI BEIRUT, June 26.

THERE HAVE been intensive Arab contacts to ensure closer military and political co-ordination in the wake of the formation of the hardline Likud Government in Israel under Mr. Menachem Begin.

Arab diplomatic circles said that Damascus has been the focal point in the contacts. The daily newspaper, As Safr, usually well-informed on Arab affairs, reported here today that a prominent Egyptian personality "believed to be President Sadat," visited Damascus secretly during the past few days and held talks with President Assad.

The paper said that Syrian military delegations have toured a number of foreign capitals, including Moscow, and that a new shipment of Soviet-made missiles was delivered to Syria in the past 48 hours.

Other reports in the Arab Press today said that the talks held in the Syrian capital last week between President Assad and King Hussein centred mainly on stronger co-operation between their armed forces, so that they might be prepared should the Israelis launch a pre-emptive strike against Arab armies.

Further Syrian criticism of the U.S. has been growing. President Assad has accused Washington of having engineered the Lebanese civil war to keep the Arabs fighting each other and disunited. He made his remarks

Chirac leads bid to unite coalition

By Robert Mautner PARIS, June 26.

AFTER many months of bitter squabbling, the French coalition parties have at last decided to make a serious effort to sink their differences and to build a united front in time for next spring's general election.

Agreement to hold a "summit" meeting on July 6 of the Gaullist and various centrist groups which make up the Government coalition has already been reached, though it is highly improbable that it will lead to the adoption of anything like the common programme of the Socialist-Communist alliance.

Growing fears of a left-wing victory at the general election—the Socialists and Communists combined currently have a substantial lead in the public opinion polls—has clearly behind this change of heart, which has been particularly noticeable in the statements made by M. Jacques Chirac, the Gaullist leader, over the past few days.

Worried, no doubt, by the manoeuvres of the Centrist bloc to form their own united bloc, M. Chirac has sent a letter to the leaders of all the other coalition parties, in which he endorses the proposal for a joint meeting made recently by the Republican party, President Giscard d'Estaing's main supporters.

Rhodesian Foreign Minister promises 'no surrender'

BY TONY HAWKINS SALISBURY, June 26.

LYN A HARDLINE speech today Mr. Pieter van der Byl, the Rhodesian Minister of Foreign Affairs, warned that there could be no question of a Rhodesian surrender in the five year old guerrilla war.

Speaking near the opening of a rehabilitation centre for wounded Rhodesian servicemen, Mr. van der Byl said that there would be "irreparable destruction" if the war was allowed to escalate.

Striving to strike a Churchillian note, the Rhodesian Minister said: "We will contest every hill and every river. Every village and every town, every crossroad and every bridge, inevitably and unavoidably the land will suffer."

Mr. van der Byl was speaking at Tsanga Lodge Care Centre where a memorial hall was being dedicated for the 800 Rhodesian servicemen killed so far in the war. The centre is in the picturesque Inyanga district of the eastern border mountains not far from Mozambique.

Brendan Corish quits

BY GILES MERRITT DUBLIN, June 26.

THE DISARRAY of Ireland's defeated National Coalition is new complete, following today's resignation of Mr. Brendan Corish, leader of the Labour Party.

Both Fine Gael and Labour will choose new leaders on Friday, July 1.

Front runner as Mr. Cosgrave's successor is Dr. Garret FitzGerald, the Foreign Affairs Minister whose spirited campaigning during the general election run-up strengthened his position.

As present the two contenders are Labour Minister Mr. M. O'Leary, and Mr. Cluskey, who has been Parliamentary Secretary, Social Services.

U.S. arms for Israel likely

BY DAVID BELL WASHINGTON, June 26.

PRESIDENT CARTER is on the verge of agreeing to sell \$1.5 billion worth of advanced weapons to Israel in a move which is apparently intended as a public gesture of continuing support for Israel in advance of next month's visit to Washington by Mr. Menachem Begin, the new Israeli Prime Minister.

The New York Times reported this morning that the Administration is to sell wire-guided anti-tank missiles, armoured personnel carriers and tank bulldozers to Israel in response to a request for the equipment first made last December.

Officials conceded today that the White House has noticed an intense pressure that has been applied on the Administration in the past few weeks by friends of Israel on Capitol Hill and elsewhere.

Aid for frontline states

LIBREVILLE, June 26.

MINISTERS of the Organisation of African Unity (OAU) today set up a committee to make urgent recommendations on all forms of aid to Mozambique, Botswana and Zambia against Rhodesian aggression.

A five-member delegation left here during the day to represent the OAU Ministerial Council this week at a United Nations Security Council debate on Rhodesian raids into Mozambique aimed at nationalist guerrilla bases.

Spain's Communists hit back

BY ROGER MATTHEWS MADRID, June 26.

THE SPANISH Communist Party has hit back strongly at the Soviet Union's fierce criticism of the "Euro-Communist" policies expounded by its Secretary General Santiago Carrillo.

result of the moderate policies of Senator Carrillo both before the legislation of the Communists just prior to the general election and during the subsequent campaign.

Party members said today that they saw the Soviet attack, published last week in an extensive article in the magazine New Times, as a clear attempt to cause divisions within the Spanish party and to isolate Senator Carrillo from the militants at the base.

did the founders of Marxism. Socialist ideals with the profound and undeniable aspirations of the people to achieve freedom. It was this strategy, according to the statement, which could construct a Socialist regime that realised the widest expression of democracy and of individual freedom.

SUMMER SCHOOL '77 ACCOUNTING AND FINANCIAL MANAGEMENT FOR NON-FINANCIAL EXECUTIVES 11-22 JULY, 1977 A two-week course arranged by the Financial Times and The City University, London

We are pleased to announce the election of the following Vice Presidents JOHN W. BARR, TETSUNDO IWAKUNI, K. GORDON GREEN, O. GRIFFITH SEXTON, DIETHELM HOENER, JOHN THORNDIKE MORGAN STANLEY INTERNATIONAL Incorporated

THE UNION STEEL CORPORATION (OF SOUTH AFRICA) LIMITED (Incorporated in the Republic of South Africa) At the ordinary general meeting of shareholders of corporation held on the 21st June, 1977, the following as points were highlighted by the chairman:

WORLD TRADE NEWS

Iranian deal with Brazil could generate trade worth \$6.5bn.

BY DAVID WHITE

RIO DE JANEIRO, June 26.

UNPRECEDENTED part of deal between Brazil and Iran is expected to result in trade of at least \$6.5bn. over next five years, guaranteeing a large part of its fuel...

The agreement does not specify what the Iranians will buy, but likely items are soya, maize, sorghum, meat, rice, sugar, vegetable oils and railway equipment...

agricultural combine, Cooperativa Tricicola de Itui and Iranian banks, which will hold the majority. Other projects for joint ventures which have been brought up in recent discussions between Brazil and Iran...

Krupp wins Iran order

BOCHUM, June 26.

FRIEDRICH KRUPP Hoeschtwerke has announced two contracts from Iran, which holds a 25 per cent stake in the company. The first was a \$242m order for rails and crossings for extensions to the harbour of Bandar Shapur...

Because of this, the company said it will have to pass a large part of the deal on to other EEC steel companies, although it will fulfil at least half itself. Krupp gave no value for this deal.

AUSTRALIAN CHEMICALS

A cracking race for new investment

BY JAMES FORTH IN SYDNEY

THE AUSTRALIAN petrochemical industry is ready to embark on a large-scale round of expansion—the first new major investment projects in almost a decade. Already chemical group ICI Australia has announced two new ventures...

The cracker contenders are ICI Australia, Dow Chemicals, Esso-Mobil and Shell. Moreover, it is not only the groups for which the stakes are high: three State Governments are competing to attract the investment for the taxes and employment it will bring.

Local annual ethylene capacity at present is about 240,000 tonnes with APC accounting for almost 80 per cent. Consumption was increasing at the rate of about 15 per cent a year until 1974 when demand fell sharply. It is now running at around 10 per cent a year which is expected to be the future growth rate and is still about 3 per cent above the growth rate in the U.S.

possible to pipe the liquids to the coast and export them or to pipe them to an existing light crude refinery at Brisbane to produce a high octane fuel, but a petrochemical venture would be the preferable solution, provided it can be economic. Dow Chemical was interested in Redcliff about three years ago but was headed off by a consortium which included ICI and Alcoa...

years. The problem is still the cost—particularly for infrastructure, which is normally paid by the private companies in Australia on such projects. The infrastructure costs reportedly run to around \$430m, and include a 450 kilometre liquids pipeline from the Cooper Basin, a power station, wharf facilities to cope with ships up to 60,000 tonnes, housing, rail road and water facilities. The SA Government last week sent a detailed proposal to the Federal Government requesting financial assistance to enable Redcliff to go ahead.

Short-lived activity in tanker market

BY OUR SHIPPING CORRESPONDENT

UPSURGE in activity in the Mediterranean and Caribbean by last week proved short-lived, and the overall picture of tanker market remains largely unchanged. In the main loading area, the if a small number of vessels aimed employment last week, according to E. A. Gibson brokers, at mainly below average levels.

week probably stemmed from reports of a possible increase in Libyan crude prices from July 1. Rates moved up to worldscale 65 for a 64,000-tonner for the U.S. Gulf and worldscale 80 for a 49,000-tonner, but demand tailed off later in the week. Most business was in the Caribbean loading area. Rates did firm up a little, but any significant improvement was restricted by the number of ships available. For 55-55,000-ton cargoes for U.S. Gulf or Atlantic coast the rate remains about 65-67, with 30,000-tonners obtaining about worldscale 75.

Eaton plant opened in France

By Terry Dodsworth, Motor Industry Correspondent

A NEW £12m transmission plant has been opened at St. Nazaire in France by Eaton Corporation, the U.S.-based truck components company, in an effort to expand its sales to commercial vehicle manufacturers on the Continent. Eaton, which also has two axle plants in the U.K. already supplies to Fiat, MAN and DAF trucks, but is keen to increase its business with other European groups. In common with other component companies it believes that this will be easier from a Continental base.

Singapore deficit improves

BY OUR OWN CORRESPONDENT SINGAPORE, June 26.

SINGAPORE'S external trade deficit in May was \$829.7m, according to latest figures published by the Department of Statistics here. While this was \$880m up on the deficit in May 1976, the latest figure showed a considerable improvement on the deficit of \$847.2m recorded in April this year. It was also the smallest monthly deficit recorded so far this year. Moreover, the deficit in the first five months of 1977 (from January to May) totalled \$52bn, compared to \$52.5bn in the corresponding period of last year—a drop of \$673.5m.

Yugoslav loan guaranteed

The Exports Credits Guarantee Department has guaranteed the repayment and availability of funds for a \$3.5m. loan arranged and made available by Barclays Bank International to Guminch Protovics "Bekord" Belgrade, Yugoslavia. It will help finance a \$4.4m contract awarded to Farrel Bridge of Castleton, Rochdale, Lancashire, to supply machinery for a vehicle tyre factory at Rakovica, Belgrade.

Finnish plant in Ireland

FINANCIAL TIMES REPORTER

TIKLAS of Finland, is to invest £1m. in a new garment manufacturing operation in Thurles, near Limerick in the Irish Republic, which will give employment to 160 people by 1978. The Irish Industrial Development Authority has completed negotiations for Tiklas to set up in a 4,000 square metre factory unit on the Thurles industrial estate within the next few months. It will produce high quality ski jackets and anoraks with the bulk of output being exported to the company's expanding market in the U.K.

Tiklas is a division of Lassila and Tikkanen. Over 75 per cent of total output is exported and the Tiklas division last year produced over £18m. of the group's £33m. sales. Depending on the success of the Thurles venture, the Finnish company is considering further expansion in Ireland which could bring investment up to £3m. and employment to approximately 500 by 1983.

World Economic Indicators

Table with columns for Country, Trade Statistics (Exports, Imports, Balance) for various months (May 77, Apr 77, Mar 77, May 76).

Israeli arms exports rise

By L. Daniel

EXPORTS by Israeli State-owned enterprises making military supplies rose by 80 per cent in 1976 to \$85m, according to their director, Mr. Michael Shur. The group, known as "Tiras" supplied a total of \$360m. of various supplies, mainly to the Israeli armed forces. The group invested substantial sums during the year in the establishment of new plants in different parts of the country. Tiras does not include Israel Aircraft Industries and its subsidiaries, nor plants belonging to Koor, the industrial holding company of the Labour Federation, nor privately-owned factories making parts or finished products for the Defence Ministry or for export.

Air cargo bid fails

BRITISH AIRWAYS has failed in attempt to appeal against a U.S. District Court ruling which stops and the airline from applying its revolutionary cargo contract and specific commodity rates from the U.K. to the U.S.A. British Airways sought to appeal against the New York Southern District Court judge's injunction, but the airline's application was rejected. Now British Airways, which has continued to apply the controversial rate structure, is awaiting Government instructions. The contract and specific commodity rates was approved by the British Government and was the subject of a Government directive.

London tea sales

At the tea sales held in London last week 25,388 packages sold retained an average price of 32.17p per kilo, compared with 17.70p at the previous sales and against 21.32p a year ago. Plain tea was quoted at 32.00p.

Advertisement for Harry Phillips, featuring a large magnifying glass over the text 'No buyers' premium at Phillips The Auctioneer'. Includes contact information and a list of countries served.

PLANT & MACHINERY SALES

Table listing various industrial machinery for sale, including rolling mills, wire drawing machines, and flattening machines, with descriptions, prices, and contact information.

HOME NEWS

State seeks bigger North Sea oil stake

THE BRITISH National Oil Corporation is seeking a bigger North Sea stake. The Department of Energy is considering a plan to grant the Corporation a small number of significant blocks, on top of the licences awarded in the recent Fifth Round of allocations.

failed to obtain any at all, including the Petrolina field in the Beatrice Field—Amoco, one of the most active North Sea participants. It is thought that Mesa applied for at least one block in the Moray Firth that has not yet been allocated.

any time, and not only in the general licensing round. The corporation is believed to be keen to be the sole licensee on new blocks. It is due to become operator on six Fifth Round blocks and it is already operator on nine blocks awarded in previous rounds.

Over 400 oppose £435m. project

BY KEVIN DONE, CHEMICALS CORRESPONDENT

A PUBLIC INQUIRY opens at Dunfermline to-day into plans announced by Shell-Esso and Esso Chemical to build a £435m. gas processing and ethylene plant at Mossburn, Fife.

will be eager to begin site preparation this year, with the plant coming on stream in the early 1980s. The NGL plant is tightly tied in with overall plans for exploitation of the Brent field, which involves a large number of construction and field development projects.

Tussle likely over gas charges

By Ray Deifer, Energy Correspondent

BRITISH GAS Corporation is set for a new tussle with the Price Commission. The commission is concerned that since the 10 per cent rise in gas prices on April 1, the corporation has been making excess profits.

Call for tax relief for landlords

BY CHRISTOPHER DUNN

A NEW KIND of tax relief should be given to private landlords as an incentive to keep properties in good repair, according to the National Consumer Council in its evidence to the Rent Act Review Committee at the Department of the Environment.

Group certificate plan rejected

FINANCIAL TIMES REPORTER

THE JOINT Matriculation Board has turned down the idea of a return to a group certificate exam award at 16-plus in favour of the present system of passes on individual subject basis.

The Board has sent its views to the Department of Education. It warned that a group certificate system could have undesirable effects on the school curriculum.

Anti-smoke lobby call to Ennals

By Stuart Alexander

A LAST-MINUTE call for strict advertising controls for cigarettes containing the new substitutes NSM (New Smoking Material) and Cyrel has been made by Action on Smoking and Health, the anti-smoking lobby.

More Home News, Page 30

the ethane probably supplying the feedstock for the Esso Chemical cracker, and much of the propane and butane being sold to the U.S. and shipped out by tankers.

Public hearings to begin in asbestos inquiry

THE THREE-DAY public hearings of the Advisory Committee on Asbestos begin to-day in London. Written evidence will be presented by companies, individuals and organisations, who will be questioned by Mr. Bill Simpson, chairman of the committee, and other committee members.

Relief urged on travel costs

Mr. Tony Newton, Conservative MP for Braintree, Essex, MP called for tax relief on the cost of travel to work. He said that with Mr. Max Madden, MP, chairman of the Finance Bill, he had tabled an amendment to the Finance Bill.

State business loans urged

INDEPENDENT businesses willing to guarantee to British manufacturers should have access to Government-backed bank loans, according to recommendations submitted to Sir Harold Wilson's committee which is reviewing the function of financial institutions.

Transport White Paper to be published to-day

BY IAN HARGREAVES

THE MUCH-DELAYED White Paper on transport policy will be published this afternoon. Originally planned for last autumn, the policy statement comes 14 months after a Government transport policy consultation document.

ary, but was presented by his successor, Mr. Peter Shore. When a separate Ministry of Transport was re-established during last September's Cabinet changes, Mr. William Rodgers took over as Transport Secretary.

Smaller hotels missed the Jubilee boom

By Arthur Sandles

THE GREAT JUBILEE tourist boom seems to have passed by some areas of the tourist industry. Owners of a number of smaller hotels claim that stories of packed London hotels deterred tourists and produced a shortage of business.

Page chairman claims success

BY OUR ECONOMICS STAFF

RECOMMENDATIONS IN three of the four main areas covered by the Page Committee on National Savings have achieved a "substantial degree of acceptance," says Sir Harry Page, chairman of the committee.

the small saver" has been accepted and acted on both by the Trustee Savings Banks and the Government. Secondly, the "clear but cautious" proposals on index-linking Treasury securities had also been adopted in almost the form the committee proposed.

has been virtually deprived of all central assistance, and has had its main sales objective, the 10p stamp, withdrawn. Finally, however, the rationalisation of Treasury securities still left much to be desired.

Urgent advice to employers with pension schemes.

You probably know that there'll be a new state earnings-related pension scheme from April next year. And that your company can contract employees out of it if your occupational pension scheme meets certain conditions. But did you know that you must, by law, consult your recognised trade unions? That you have to give your employees notice of what you intend to do? That, if you choose to contract out, you must apply to the Occupational Pensions Board for a contracting-out certificate? And that, finally, if you don't get a contracting-out certificate, you and your employees could find yourselves paying more contributions than you meant to? Time is short. Consult your pensions adviser without delay.

Issued by the Department of Health and Social Security and the Occupational Pensions Board. To DHSS Leaflets Unit, Block 4, Government Buildings, Honey Pot Lane, Stanmore, Middlesex HA7 1AY. Please send _____ copies of leaflet "Social Security Pensions Act 1975: Guide for employers with occupational pension schemes" (NP 23).

Savings up £50m. in May

NET NEW savings rose by nearly £50m. in the four weeks ending May 28 which, with a further net accrued interest of £41.2m, took the National Savings total to £13.3bn.

The improvement was described yesterday by Sir John Anstey, leader of the savings committee, as a "useful increase." The major contributor was the National Savings Certificate where receipts of £31.1m. led to a net gain over withdrawals of £19.8m. At the same time investment accounts in the National Savings Bank benefited to the tune of £23.8m, a record for a four-week period, and more than offsetting the receipts of £33.1m into ordinary accounts, the lowest since December 1973.

Altogether the bank showed a net surplus of £11.4m. during the period while the Trustee Savings Banks added another £8.2m. after a decline of £1.9m. in ordinary accounts, and an increase of £10m. in special investments.

Table with columns: NATIONAL SAVINGS, 1977/78, 1976/77. Rows include Savings Cert., Svc. on gov. Sec., Dpt. Sec. S., E.S. Bonds, Br. Sav. Bonds, Premiums on Life, Ord. acc., Inv. acc., Treasury Bills, Gov. Sec., Sp. Inv. Dpt. Current acc., Total.

Readicut new record levels

- * Profit at £7,218,573 up by £1,618,729
* Sales at £67,720,000 up by £19,120,000
* Export Sales at £17,681,000 up by £7,086,000

SUMMARISED RESULTS. Table with columns: Years ended 31st March, 1977, 1976. Rows include Sales, Profit before taxation, Profit after taxation, Profit after taxation and extraordinary items, Amount absorbed by Preference and Ordinary Interim and Final Dividends, Group Profit Retained, Earnings per share.

Copies of the Report and Accounts can be obtained from the Secretary, Horbury, Wakefield, West Yorkshire.

Readicut International Limited

Handwritten signature: J.P. 1/20/75

CPFT/2

Choosing the right partner

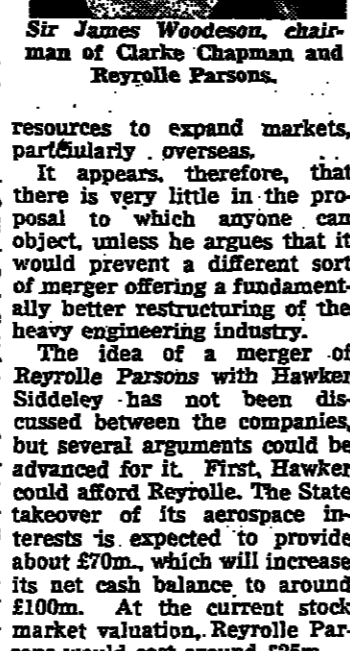
BY MAX WILKINSON

It is clear that one of the main pressures behind the proposed merger of Clarke Chapman and Reyrolle Parsons is a feeling of North East solidarity. The strength of local feeling is emphasised by Sir James Woodson, chairman of both companies, when he announced a plan at the week-end. It would be perilous for outsiders, including the Government, to miss the lobby, which has been ready to frustrate a merger of Reyrolle Parsons turbine generator operation with the General Electric Company.

The 162-page report of the Think Tank (Central Policy Review Staff) which said the object was an orderly reduction in the industry's over-capacity and a merging of technology and research efforts. For turbine generators this means a merger of C. A. Parsons with the competing divisions of GEC. For boilers, the merger must be between the relevant parts of the Government, Clarke Chapman and Babcock and Wilcox.

This point has to be stressed, because Mr. Mike Thomas, Labour MP for Newcastle East, and chief spokesman for the North East lobby, is already proclaiming that the merger proposed by Sir James would "provide the turnkey capacity recommended in the CPRS report". It is in the wider national context that the Government will have to ask whether there are any possible mergers which would better provide the companies with the financial and managerial muscle which they need to compete in international markets.

The most obvious of these is a merger of Reyrolle Parsons with Hawker Siddeley. But clear thinking on this subject is often clouded by the resources to expand markets, particularly overseas. It appears, therefore, that there is very little in the proposal to which anyone can object, unless he argues that it would prevent a different sort of merger offering a fundamental restructuring of the heavy engineering industry.



Sir James Woodson, chairman of Clarke Chapman and Reyrolle Parsons.

The idea of a merger of Reyrolle Parsons with Hawker Siddeley has not been discussed between the companies, but several arguments could be advanced for it. First, Hawker could afford Reyrolle. The State takeover of its aerospace interests is expected to provide about £70m, which will increase its net cash balance to around £100m. At the current stock market valuation, Reyrolle Parsons would cost around £25m.

Second, Hawker Siddeley would provide a strong financial base of a merged company whose turnover would approach £1bn a year. This is well over twice the size of the proposed group.

Thirdly, Hawker Siddeley's products are in many ways closer to those of Reyrolle Parsons. Their involvement in control gear, transformers and switchgear partly overlaps. Reyrolle is stronger in large transformers and the latest type of high voltage

POWER PLANT MAIN COMPANIES

Clarke Chapman, Babcock and Wilcox, turbine generators: GEC, Reyrolle Parsons, switchgear: GEC, Reyrolle Parsons, Hawker Siddeley, transformers: GEC, Reyrolle Parsons, Hawker Siddeley, Ferranti.

disabling image of all three companies among the general public. Hawker is identified with the aircraft industry, from which it has now withdrawn. Reyrolle Parsons is identified with the turbine generator industry, which only accounts for 30 per cent of its turnover. Rationalisation of manufacturing would not, therefore, be likely to be a major result of the merger. Sir James, emphasised the reverse side of this coin when he said that there would be no redundancies. Clearly there are some fields like main-gearing machinery where there is scope for increasing co-operation between the electrical and mechanical engineering

It seems, however, that such a grouping is not attractive to Sir James Woodson and his Board. He said there had been no discussion with Hawker and went out of his way to emphasise the need to keep control of his two companies in the North East. Tyneside's prejudices against outside corporations has been greatly strengthened recently by the fierce argument about whether C. A. Parsons, the Reyrolle turbine generator subsidiary, should be handed over to GEC.

Over-capacity in the power engineering industry is reflected in many other parts of heavy electrical machinery. If British companies are to fight effectively in increasingly competitive world markets, they will have to cut overheads and rationalise. That must imply a loss of jobs from which Tyneside is most unlikely to be immune. The essentially defensive merger being proposed could merely postpone the painful decisions which will have to be taken if the long term future of the industry is to be assured.

Quarterly analysis of bank advances

U.K. residents by banks in the U.K. at May 18, 1977, as Table 4 in Bank of England Quarterly Bulletin.

	ADVANCES TO U.K. RESIDENTS		FINANCIAL		MANUFACTURING		OTHER PRODUCTION		SERVICES	
	Total	of which in foreign currencies	Total	of which in foreign currencies	Total	of which in foreign currencies	Total	of which in foreign currencies	Total	of which in foreign currencies
London clearing banks	14,967	13,690	1,277	1,084	1,699	1,111	874	999	1,423	1,084
Scottish clearing banks	1,939	1,855	284	246	154	29	62	176	232	198
Northern Ireland banks	451	430	21	22	22	2	17	4	2	2
All banks	17,357	15,975	1,582	1,352	1,885	1,142	1,013	1,081	1,657	1,284
of which in sterling	16,882	15,502	1,423	1,226	1,711	1,113	991	1,077	1,525	1,216
Changes: in sterling	+128	+88	-	-62	-	+6	+5	-75	+11	+9
in foreign currencies adjusted for exchange rate effects	+475	-	-44	-11	+14	-47	-	-	+57	+58
	+603	+88	-50	-77	+20	-41	-70	-70	+68	+67

Entertainment Guide

CC—These theatres accept credit cards by telephone or at the box office

OPERA & BALLET

CONSERVATORY, 236 31st St. (Credit Card) 2.30, 7.30, 9.30. **LAST WEEK.** **MON.** to **FRI.** 7.30, 9.30, 11.30. **SAT.** 2.30, 7.30, 9.30. **SUN.** 2.30, 7.30, 9.30. **THEATRE**, 236 31st St. **MON.** to **FRI.** 7.30, 9.30, 11.30. **SAT.** 2.30, 7.30, 9.30. **SUN.** 2.30, 7.30, 9.30. **THEATRE**, 236 31st St. **MON.** to **FRI.** 7.30, 9.30, 11.30. **SAT.** 2.30, 7.30, 9.30. **SUN.** 2.30, 7.30, 9.30.

THEATRES

ADRIAN THEATRE, 236 31st St. **MON.** to **FRI.** 7.30, 9.30, 11.30. **SAT.** 2.30, 7.30, 9.30. **SUN.** 2.30, 7.30, 9.30. **THEATRE**, 236 31st St. **MON.** to **FRI.** 7.30, 9.30, 11.30. **SAT.** 2.30, 7.30, 9.30. **SUN.** 2.30, 7.30, 9.30.

APPOINTMENTS

AN OIL BROKER AND OIL TRADER are required by a major international independent Oil Broking and Trading Company. For each post a minimum of five years' experience with a leading oil company is required. Opportunities will occur for overseas travel, fringe benefits will be generous and salary is unlikely to be a limiting factor. Write Box A.5979, Financial Times, 10, Cannon Street, EC4A 4BY.

LEGAL NOTICES

In the HIGH COURT OF JUSTICE Chancery Division... NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was presented on the 23rd day of June 1977, presented to the said Court by... NOTICE IS HEREBY GIVEN that a Petition for the winding up of the above-named Company by the High Court of Justice was presented on the 23rd day of June 1977, presented to the said Court by...

COMPANY NOTICES

JARDINE, MATHESON AND CO. LIMITED notice to holders of outstanding shares... JARDINE, MATHESON AND CO. LIMITED notice to holders of outstanding shares... JARDINE, MATHESON AND CO. LIMITED notice to holders of outstanding shares...

PERSONAL

SPYHEAD JUNE REVIEW for charge all day 28th June... SPYHEAD JUNE REVIEW for charge all day 28th June... SPYHEAD JUNE REVIEW for charge all day 28th June...

ART GALLERIES

ROY MILLS GALLERY, Royal Academy... ROY MILLS GALLERY, Royal Academy... ROY MILLS GALLERY, Royal Academy...

CLUBS

EVE, 180, Regent Street, 7.30-9.30... EVE, 180, Regent Street, 7.30-9.30... EVE, 180, Regent Street, 7.30-9.30...

VALUATION

The following is a copy of a valuation of the Group's freehold properties which has been received from Ackroyd & Sons, Incorporated Valuers and Auctioneers:—
 Ackroyd & Sons, 95 Jermyn Street, London SW1Y 3JE
 The Directors, City Hotels Group Limited, 39/39 Inverness Terrace, London W2 3JR
 24th June, 1977.

Gentlemen,

In accordance with your instructions we have inspected the properties set out in the Schedule hereto and have considered the undertakings being carried on therein and have valued the properties on an existing use basis to include the property, furniture, fixtures and fittings necessary to maintain the properties in their present uses, and as having all current licences and requisite permissions, certificates and consents from the appropriate authorities.

In our opinion, having regard to the above factors, the open market value as between a willing buyer and a willing seller would not differ overall from the aggregate figure of £3,100,000 (three million, one hundred thousand pounds) shown in the Schedule.

Yours faithfully,
ACKROYD & SONS

Schedule	Description	Value
Eden Park Hotel, 35-39 Inverness Terrace, London, W2	Freehold hotel—subject of a virtually complete internal reconstruction and refitting in 1971 to provide 136 letting bedrooms mainly with private facilities and having a total capacity for 291 guests	1,200,000
Henry the Eighth Hotel, 9 Lanster Gardens, London, W2	Freehold hotel—subject of a virtually complete internal reconstruction and refitting in 1972 to provide 107 letting bedrooms all with private bathrooms and toilets providing a total capacity for 194 guests and amenities including a swimming pool. The valuation includes a town house	1,300,000
19/120 Bayswater Road, London, W2	Freehold property, the ground floor being occupied by a restaurant and the upper floors are let as offices and residential accommodation. The aggregate rent is approximately £28,000 per annum	600,000
		£3,100,000

ACCOUNTANTS' JOINT REPORT

The following is a copy of a report in respect of the Group which has been received from Levy, Hyams & Partners, and Coopers & Lybrand, Chartered Accountants.

The Directors,
 City Hotels Group Limited,
 39/39 Inverness Terrace,
 London W2 3JR

The Directors,
 Barclays Merchant Bank Limited,
 15 Old Broad Street,
 London EC2P 2EE

The Directors,
 City Hotels Group Limited ("the Company") was incorporated as a private company on 1st August 1964. On 31st December, 1977, the company now comprising the City Hotels group, with the exception of Dayville Limited, Dayville Supplies Limited, Harwood Manor Limited and their subsidiaries, were reorganised so that they all became wholly owned subsidiaries of the Company. On 2nd June, 1977, the Company acquired the share capital of Dayville Limited and Dayville Supplies Limited not already owned by it. As these transactions represented a consolidation of companies which were already being managed as a group, for accounting purposes we have regarded them as a merger and accordingly the shares issued as consideration have been recorded in the books of the Company as being issued at their nominal value. The combined results of the Company and all its present subsidiaries except Harwood Manor Limited ("the Group"), have been included in this report for the whole of the five year period from 1st January, 1972 (or from the date of incorporation where this is later) to 31st December, 1977.

We have examined the audited accounts of the Company and the companies which are now subsidiaries, with the exception of Strikas (1928) Limited and Strikas Restaurants (Jersey) Limited both of which are dormant, for the periods set out below:—

The Company	Period	Name of Auditors
Hotel Associates Limited	Five years ended 2nd January, 1977	Levy, Hyams & Partners
The Lanster Court Hotel Limited	28th September, 1971 to 2nd January, 1977	Levy, Hyams & Partners
Strikas Restaurants Limited	Five years ended 2nd January, 1977	Levy, Hyams & Partners
Michael Brower Restaurants Limited	4th March, 1974 to 2nd January, 1977	Coopers & Lybrand
S. Domenico Limited	Five years ended 2nd January, 1977	Coopers & Lybrand
Rownsbury Limited	Three years ended 2nd January, 1977	Coopers & Lybrand
Zaenglow Limited	19th September, 1974 to 2nd January, 1977	Coopers & Lybrand
Dayville Limited	2nd October, 1974 to 2nd January, 1977	Coopers & Lybrand
Hartley Limited	15th December, 1975 to 2nd January, 1977	Coopers & Lybrand
Signifim Limited	1st March, 1976 to 2nd January, 1977	Coopers & Lybrand
Dayville Supplies Limited	11th March, 1974 to 2nd January, 1977	Coopers & Lybrand
Clinikated Supplies Limited	18th February, 1978 to 2nd January, 1977	Coopers & Lybrand
11th November, 1976 to 2nd January, 1977		

3. Levy, Hyams & Partners were auditors of the above companies in each of the accounting periods examined with the following main exceptions:—
 Dayville Limited 19th February, 1976 to 2nd January, 1977
 Dayville Supplies Limited 18th February, 1976 to 2nd January, 1977
 1st July, 1976 to 2nd January, 1977

4. The companies have made up accounts to the Sunday nearest to 31st December in each year. For convenience we have referred in this report to the accounting periods as ending on 31st December. Where a company's accounting period is in excess of twelve months we have not reported the results between different accounting periods, since the amounts involved are not material.

5. We report on the information set out in Sections 1, 11 and 13 below. In our opinion, based on examination of the audited accounts referred to in paragraphs 2 and 3 above, the information set out in this report gives a true and fair view of the results for the periods stated and of the state of affairs of the companies as at the dates stated for the purposes of the particulars dated 24th June, 1977, to be issued in connection with the proposed placing of the Company's shares.

6. Audited accounts of the Group have not been prepared for any period subsequent to 31st December, 1976.

ACCOUNTING POLICIES

7. The significant accounting policies adopted in arriving at the financial information set out in this report are as follows:—
 (a) Depreciation is calculated on a straight line basis in order to write off the cost of all fixed assets over their expected useful lives. The annual rates adopted are as follows:—
 Freeholds and long leaseholds ... 2 per cent.
 Short leaseholds ... amortised over remaining period of lease.
 Plant and machinery ... 10 per cent.
 Hotel and restaurant furniture, fixtures and fittings ... 10 per cent.—12½ per cent.

Other factory and office furniture, fixtures and fittings ... 15 per cent.—20 per cent.
 Motor vehicles ... 25 per cent.

Adjustment made for the purposes of this report:
 (b) Fixed assets are stated at cost less depreciation calculated in accordance with (a) above, except that the Group's freehold properties have been incorporated in the balance sheets at 31st December, 1976 at the amount of a valuation by Ackroyd & Sons dated 24th June, 1977.
 (c) Deferred taxation, which is provided on the basis of the method, arises mainly from the excess of depreciation over the tax written off in respect of fixed assets, but no provision has been made in respect of the surplus arising out of the revaluation of fixed assets referred to in (b) above.

II PROFIT AND LOSS ACCOUNT

8. The combined profit and loss accounts of the Group for the five years ended 31st December, 1976, after making appropriate adjustments to the audited accounts, are set out below:—

	Years Ended 31st December				
	1972	1973	1974	1975	1976
	£'000s	£'000s	£'000s	£'000s	£'000s
Turnover	742	1,280	1,736	2,464	4,851
Cost of sales	696	1,159	1,568	2,198	4,132
Profit before taxation	47	121	170	266	719
Taxation:					
United Kingdom corporation tax, including trustees for deferred taxation	74	81	108	160	419
Profit retained	73	40	62	106	300

9. The cost of sales is arrived at after charging the following items:—

	Years Ended 31st December				
	1972	1973	1974	1975	1976
	£'000s	£'000s	£'000s	£'000s	£'000s
Depreciation	63	84	100	137	187
Interest payable	80	161	210	195	224
Rent receivable	4	6	14	25	52

10. No dividends have been paid.

11. Harwood Manor Limited, which was acquired for £840,273 in cash on 15th April, 1977, owns the freehold of the property occupied by the Harwood Hotel, paying a rental of £2,000 per annum. The future effect of the acquisition of Harwood Manor Limited on the Group's profits will be a substitution of interest at current rates on the cost and depreciation totalling approximately £80,000 per annum for the rental previously paid to Harwood Manor Limited of £25,000 per annum.

12. Throughout the five years ended 31st December, 1976, the Group benefited from interest-free directors' loans which, at each year end, amounted to between £328,000 and £442,000. At the date of this report they amount to £306,808 and this amount is to be discharged out of the proceeds of the proposed issue of new shares.

13. A revaluation of the Group's freehold properties, together with the furniture, fixtures and fittings contained therein, totalling £3,100,000, has been incorporated into the 1976 balance sheets set out in paragraph 15 below at the following amounts:—

	£'000s
Freehold properties	2,854
Furniture, fixtures and equipment	126
Crockery, cutlery and utensils	20
	3,100

If depreciation were provided in the accounts on the basis adopted for the purposes of this report, the future effect on the Group's profits would be to increase the annual depreciation charge by £26,000, which would not be an allowable deduction for taxation purposes.

14. Proposals are at present under consideration for the introduction in the United Kingdom of current cost accounting to recognise the effect of inflation. Until the final form of these proposals is known, it is not possible to indicate with accuracy the effect of introducing current cost accounting. The main effect on the Group of the proposals is likely to be a requirement to provide depreciation on the current value of fixed assets and the inclusion of a depreciation charge calculated by reference to the revaluation of the Group's freehold properties (see paragraph 13 above) would give a considerable way in this direction. If the final proposals include an adjustment for the benefit of the Company's long term borrowings, some off-setting benefit may be obtained.

III BALANCE SHEETS

15. The following is a statement of the balance sheets of the Company at 31st December, 1976 and of the Group at 31st December, 1971 to 1976 based on the audited accounts, after making such adjustments as, in our opinion, are appropriate. The balance sheets at 31st December 1976, have been adjusted to take account of the issue of 1,050,000 shares to be made in June, 1977 (see paragraph 19):

The Company	The Group					
	1971	1972	1973	1974	1975	1976
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
FIXED ASSETS						
Freehold properties	654	1,082	1,125	1,284	1,365	2,854
Leasehold properties	81	23	488	517	688	778
Plant and machinery	72	203	253	285	488	535
Furniture, fixtures and equipment	—	6	6	6	6	18
Motor vehicles	—	—	—	—	—	—
	1,433	1,398	1,883	2,112	2,488	4,318
Expenditure on capital projects in progress	61	30	8	12	—	—
Crockery, cutlery and utensils, at valuation	4	14	21	28	42	42
	1,454	1,454	1,913	2,153	2,530	4,360
TRADE MARKS	1	1	1	—	—	2
INVESTMENTS IN SUBSIDIARIES	—	—	—	—	—	—
GOODWILL	196	196	186	210	210	—
	2,723	1,888	2,110	2,363	2,740	4,362
CURRENT ASSETS						
Stock	8	16	22	22	25	80
Debtors	289	56	143	145	185	383
Cash at deposit	316	13	105	8	149	343
	613	85	330	175	359	822
Less: CURRENT LIABILITIES						
Bank overdraft (secured)	437	71	137	220	347	558
Bank overdraft (unsecured)	80	96	284	340	87	1,127
Taxation	18	20	32	77	141	140
	545	187	433	537	575	1,425
NET CURRENT LIABILITIES	(161)	(159)	(348)	(207)	(488)	(670)
	2,562	1,729	1,762	2,156	2,252	3,692

Directors' and other interests After completion of Contract 15 the interests (as defined by the Companies Act 1967) of the Directors and their families in the Ordinary Shares of the Company will be as follows:—

Name	Beneficial	Non-Beneficial
Mr. P. Kaye	552,844	122,762
Mr. R. Kaye	240,000	141,244
Mr. M. H. Brower	200,000	—
Mr. R. J. Rimington	—	—

In addition Mr. P. Kaye is deemed to be beneficially interested in the non-beneficial holding of Mr. R. Kaye.

It is intended that as part of the placing arrangements Abingworth Limited will be beneficially interested in 300,000 Ordinary Shares being 10 per cent. of the issued share capital of the Company. Abingworth Limited is a private investment company controlled by the Directors and its shares are held by the Directors. Abingworth Limited holds 5.58 per cent. of the issued share capital. Mr. M. B. Gutman will be beneficially interested in 300,000 Ordinary Shares being 10 per cent. of the issued share capital of the Company. Save as aforesaid, the Directors are not aware of any beneficial holdings of five per cent. or more in the issued capital of the Company.

Mr. R. Kaye occupies a house owned by the Group on a yearly tenancy at an annual rental of £1,500 exclusive of rates.

The aggregate emoluments of the Directors of the Company for the year ended 31st December, 1976, amounted to £20,000 and under the arrangements in force for the Board as now constituted the annual rate of remuneration will amount to £34,000.

AUTHORITY AND GENERAL INFORMATION

Share Capital Immediately prior to 24th June, 1976, the authorised share capital of the Company was £100 million and the issued share capital was £100,000,000. On 31st January, 1977, the issued share capital was increased to £100,000,000 by the creation of 899,000 Ordinary Shares of 10p each, the £100 million issued share capital being subdivided into Ordinary Shares of 10p each. On that date 338,482 Ordinary Shares of 10p each were issued by way of capitalisation of reserves and 460,518 Ordinary Shares of 10p each were issued in consideration of the acquisition of the share capital of certain subsidiaries as referred to above. On 2nd June, 1977, by or pursuant to resolutions passed at an Extraordinary General Meeting:—
 the issued and unissued Ordinary Shares of 10p were consolidated into 400,000 issued Ordinary Shares of 20p each and 100,000 unissued Ordinary Shares of 20p each;
 the authorised share capital was increased to £750,000 by the creation of 2,250,000 Ordinary Shares of 20p each;
 the sum of £230,000 standing to the credit of the Company's reserves was capitalised and applied in paying up a further 1,150,000 Ordinary Shares of 20p each;
 100,000 Ordinary Shares of 20p each were issued fully paid to the Trustees of the Settlements established by Mr. P. Kaye and Mr. R. Kaye in completion of the purchase of their 49 per cent. holding in Dayville Supplies referred to above;
 300,000 Ordinary Shares of 20p each were issued fully paid to Mrs. M. B. Gutman in completion of the purchase of her holding in Dayville and Dayville Supplies referred to above;
 1,050,000 Ordinary Shares of 20p each were issued to Barclays Merchant Bank Limited for cash at 60p per share under the arrangements referred to under "Placing Arrangements" below; and
 the Company was converted into a public company and new Articles of Association were adopted.

Articles of Association The new Articles of Association of the Company, referred to above, contain various (inter alia) to the following effect:—
 On a show of hands every member who is present in person shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every 20p nominal amount of share capital of which he is the holder.
 The aggregate amount for the time being remaining outstanding of all moneys borrowed by the Group and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to twice the Adjusted Capital and Reserve (as defined). Moneys borrowed include for such purposes amounts outstanding under certain transactions able to borrowing.
 The aggregate fees of the Directors shall from time to time be determined by ordinary resolution of the Company. A Director may be called on to pay the aggregate of his fees as a Director and as an officer of the Company upon such terms including terms as to payment of salary, commission, participation in profits or otherwise as the Board may determine. A Director or his firm may act in a professional capacity for the Company (otherwise than as Auditor) and may be paid remuneration therefor.
 A Director may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested and shall not be liable in respect of the Company or any of its subsidiaries in respect of his office as a Director or officer of or otherwise interested in such other company. The Board may also exercise the voting power conferred by the shares in any other company held or owned by the Company in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company.
 The Board on behalf of the Company may exercise all the powers of the Company to grant pensions, annuities or other allowances and benefits in favour of any Director or former Director who has been an Executive Director (as defined) or the holder of any other office or place of profit under the Company or in favour of the relations, connections or dependants of such a person.
 Section 185 of the Companies Act 1948 regarding the appointment and retirement of Directors who have attained the age of 70 does not apply to the Company. No shareholding qualification for Directors is required.
 Subject to certain exceptions conforming with Stock Exchange requirements a Director shall not vote or be counted in the quorum on any resolution of the Board in respect of any contract or arrangement in which he is materially interested or concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested.

Subsidiary Companies The Company has the following subsidiaries all of which are wholly owned private companies and, except as shown below, are incorporated in England.

Name	Date of Incorporation	Issued Share Capital	Principal Activity
Lanster Court Hotel Limited	1st September, 1922	100	Dormant
Restaurants Limited	4th March, 1971	100	Dormant
Dayville Limited	2nd October, 1974	100	Dormant
Dayville Supplies Limited	18th September, 1974	100	Dormant
Dayville Supplies Limited (Jersey)	9th January, 1976	100	Dormant
Dayville Supplies Limited (Jersey)	28th February, 1976	100	Dormant
Dayville Supplies Limited (Jersey)	31st May, 1977	100	Dormant
Dayville Supplies Limited (Jersey)	24th April, 1977	84	Dormant
Dayville Supplies Limited (Jersey)	28th September, 1977	100	Dormant
Dayville Supplies Limited (Jersey)	8th May, 1964	200	Dormant
Dayville Supplies Limited (Jersey)	10th March, 1975	10,000	Ice Cream Distribution
Dayville Supplies Limited (Jersey)	27th January, 1976	100	Ice Cream Manufacture
Dayville Supplies Limited (Jersey)	11th November, 1976	100	Ice Cream Subsidiary Supply
Dayville Supplies Limited (Jersey)	30th June, 1976	2	Dormant
Dayville Supplies Limited (Jersey)	26th July, 1975	100	Dormant

In addition Dayvilles (France) S.A. is in course of incorporation in France with an issued capital of FF 100,000, will grant ice cream franchises in France.

	12	65	84	172	171	277
DISBURSED TAXATION	405	442	428	408	261	201
LOANS FROM DIRECTORS	428	758	1,200	1,200	1,471	1,380
1,321	843	1,257	1,714	1,712	2,022	1,857
1,177	78	147	189	251	357	2,835
91	—	—	—	—	—	91
1,276	78	147	189	251	357	2,128

16. The fixed assets at 31st December, 1976, were made up as follows:—

The Company	Net Book Value	The Group	Net Book Value
Cost or Accumulated Depreciation	£'000s	Cost or Accumulated Depreciation	£'000s
1,136	1,136	2,854	2,854
178	187	178	187
—	—	828	226
191	70	46	46
15	6	78	243
—	—	24	8
1,521	88	1,433	4,810
	21		42
	1,454		4,380

Land and buildings:—
 Freehold (at valuation—see paragraph 13) ... 2,854
 Long leasehold ... 178
 Short leasehold ... 828
 Plant and machinery ... 46
 Furniture, fixtures and equipment ... 78
 Motor vehicles ... 24

Crockery, cutlery and utensils, at valuation ... 42

17. As stated in paragraph 7(c) above, deferred taxation, which would amount to £416,000, is not provided in respect of the surplus arising out of the revaluation of the Group's freehold properties which has been incorporated into the 1976 balance sheets. We are informed that it is not the intention of the Group to dispose of these properties in the foreseeable future.

18. In addition to the loans from directors referred to in paragraph 12 above, the loans outstanding at 31st December, 1976, comprised the following:—

Secured Loans	Repayable by instalments over Periods Ending	Interest Rate
1,178,034	December, 1983	4 per cent. above lender's base rate with a minimum of 11 per cent.
150,434	July, 1985	3½ per cent. above lender's base rate
35,486	January, 1978	12 per cent.
6,500	June, 1978	15 per cent.
Unsecured Loans	Repaid March, 1977	2 per cent. above lender's base rate
4,150		
£1,378,604		

19. The share capital and combined reserves at 31st December, 1976, have been adjusted for the purposes of this report to reflect shares issued since that date and the results of the revaluation referred to in paragraph 7(b) above, as follows:—

At 31st December, 1976	Share Capital	Share Premium	Reserves	Non-distributable
	£	£	Distributable £	distributable £
At 31st December, 1976	100	—	649,973	6,513
Amount capitalised in scrip issue on 31st January, 1977	33,848	—	—	(33,848)
Issue of new shares as consideration for shares in subsidiaries	46,054	—	—	—
Surplus on revaluation of freehold properties	—	—	107,032	1,386,858
Amount capitalised in scrip issue on 24th June, 1977	230,000	—	—	(230,000)
Issue of new shares as part consideration for Dayville Supplies and minority interest in Dayville	80,000	—	—	—
Issue of new shares for cash	210,000			

● SERVICES

Maintenance moves on the U.K. market

SUCCESSFUL bidders last year—some said against all the odds—for the major contract to maintain the multi-million pound IBM computer array at British Airways, Data Processing Customer Engineering Pty., has reinforced its U.K. operation to cope with the interest the BA move has aroused.

DPCE won the major maintenance job against competition from a number of leading companies, despite the fact that it is Australian-owned. It has now reorganised into two divisions, one in Australia and one in Britain.

At the same time, it is offering its large machine expertise to other airlines—apart from BA. Coasts and Assets—as well as to banks, insurance companies, building societies and other users of big systems with communications functions. This does not mean, however, that it is not interested in the smaller user.

According to Max L. Eastwell, general manager, while the U.K.

side has so far been involved only with IBM and Univac equipment, the Australian arm has a much greater breadth of experience. It can add to those names the plug-compatible makers Intel and AMS, as well as data networks made by Memorex, Texas Instruments, General Electric and the Australian Government-supported Information Electronics.

In Britain, the company is looking to attract business from ICL equipment users in the medium term, especially of System-4 machines, which are proving very long-lived and well-loved by customers, while ICL would like to see all of them replaced—in an orderly way—by equipment from its later series.

This particular sector of the market is not without its problems and it would be surprising to see any major move by DPCE till they are solved.

More from DPCE, SL, Hershams Road, Walton-on-Thames, Surrey, Walton 29682.

● POWER

Three-phase control

THE PHILIPS range of thyristor ac power regulators, manufactured in the United Kingdom, has been extended to include three-phase units.

Four different control modes—on/off, time proportional phase and phase with current limit—and a choice of input signals make the thyristor ac regulators an ideal link between controllers and electrical loads ranging from 15 A to 200 A per phase.

Each regulator incorporates two thyristors, connected in inverse parallel, mounted on heat sinks and fitted with a driver circuit board. Input and power supply connections to the driver circuit are made to an easily accessible terminal block and load connections are made to crimped lugs which are bolted on to terminals on the side of the unit.

Eye Ether, Carlton Way, Stevenage, Herts, SG1 2DG. Stevenage 4422.

● COMPONENTS

Keeping it very cool

HERMETICALLY SEALED refrigeration condensing units for use in applications in which cooling without precise temperature control is required, have been launched by Grant Instruments (Cambridge), Barrington, Cambridge CB3 9JZ (0763 08311).

Two versions are available, rated at 1/15 and 1/4 hp. A magnetically coupled pump provides a maximum flow rate of 15 litres/minute and a maximum head of 1.6 metres. Temperature is controlled within ±3 deg. C by a liquid expansion thermostat which is graduated from -10 to +30 deg. C.

The 15mm o.d. outlet pipes can be connected to any apparatus which has a suitable cooling jacket or heat exchange coil. Cooling power ranges from 80 kcal/hr at +10 deg. C to 120 kcal/hr at +20 deg. C for the smaller model, and 120 to 400 kcal/hr over the same temperature range for the larger version.

Power Lifts has its headquarters at Hadley Works, Howell Industrial Estate, Watford, WD1 8TJ, Watford 27724.

● HANDLING

No waiting for the tide

BARGES OPERATING on tidal rivers could be loaded or unloaded whenever required and independent of the state of the tide by using elevators devised by Power Lifts.

Intended for flat-topped barges, the elevators each have a 65-tonne capacity and in effect raise part of the deck of the barge to quay level. The equipment is controlled from a cabin on the barge and the raised portion of the deck forming the platform is connected to the quayside by a power-operated bridging ramp.

The company says its equipment has already helped solve the problem of ferrying vehicles

and containers across the lower reaches of the Thames where variations of tide level had previously prevented handling loads of this type at certain times.

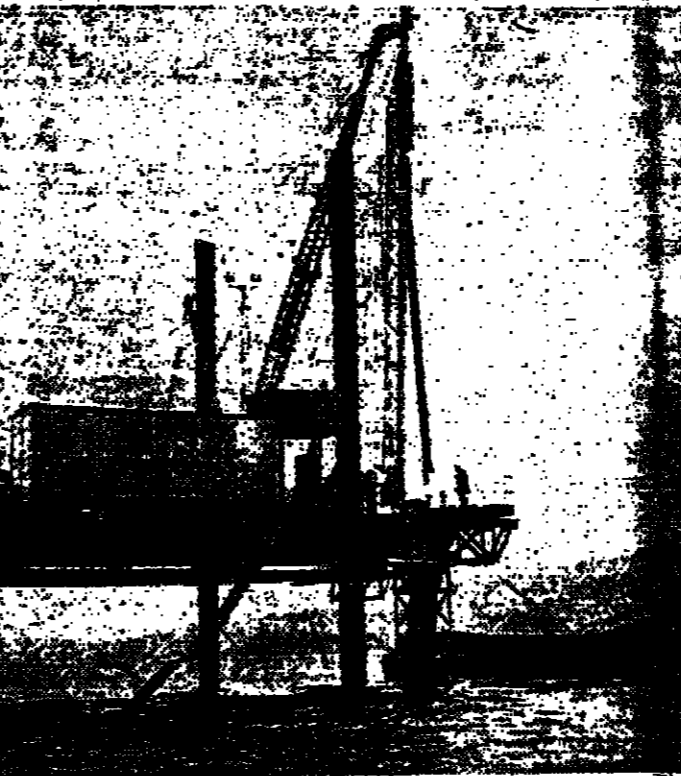
Embodied in this success, Power Lifts is now seeking to widen the application for the equipment and says the latter might well be developed for use on different types of vessel and at quays which are not strong enough to carry heavy cranes and where modern handling equipment is not available.

● COMPUTERS

Mainly for wholesalers

AIMED MAINLY at the mass of the country's wholesalers and distributors is a relatively low-cost business management computer system called Claudius, an outcome of co-operation between Extel's engineering division and Coopers and Lybrand Associates.

The former company will supply its Micro-File desk-top processor (now in 2-3 locations) for the system while the latter has tackled all the applications software side. The new system is of interest to companies with turnovers down to



This self-lifting platform has been designed for piling operations in water and is being used by the Hercules Piling Division of A. Johnson Construction Company on a £1.3m. sub-contract from Fairclough Civil Engineering on the Cromarty Firth bridge contract near Dingwall, Scotland. The 1.4-km-long bridge is to have 68 spans

of 21.5 metres, each pier being supported on either 8 or 10 piles. The platform, which is being used for the driving of 648 piles, lengths varying from 24 metres to 75 metres is the first to be sold in the U.K. by Flexifloat Systems, of Holland, through A. Long and Co., of Wembley, Middx.

The system software however is available in a number of interlinked modules covering order entry, invoicing, management, sales ledger, analysis, orders on supply, purchase ledger and stock ledger. The modules can be used in a number of different stages of development and any data entered into one are reflected in the others automatically.

A complete software package costs about £8,000 while the computer itself for £2,000 less without the VDU; the hardware can be rented. More from Extel at 73, Scrutton Street, London EC2A 4TA (01-739 2041).

Details from Crittall Windows, Manor Works, Basildon, Essex (0376 24106).

● CONSTRUCTION

Costs cut by direct glazing

EXTENSIVELY TESTED by John Laing Research and Development, the Econ direct glazing system by EAT-Glass, working in conjunction with Adhesat Ratcliffe and Co., can provide considerable construction savings in any building where fixed glazing can be specified.

The absence of conventional timber or metal frames and the reduction in the number of construction joints both reduces building costs and the resulting structure is much less vulnerable to water penetration. Long term maintenance problems are also simplified and there is no danger from thermal shock distortion because the coefficients of expansion of glass and of concrete are closely similar.

Leting has indicated that the glazing system is resistant to water and air penetration within the terms of BS 4314 Part 1. Two variations are available, one in which the glass is bedded into a curving rubberised compound which can form an inset gasket which bonds both to the glass and to the surround. In the other design, the glass is bedded against a long bearing member which is followed by a sealant heel bead.

● INSTRUMENTS

Checks the environment

MANY of the standard parameters of the environment can be determined with a new range of measurement and control equipment put on the market by Proema.

Series W comprises telehygrometers, hydrothermometers and multi-measurement systems, all in moulded cabinets with anodised front and rear panels.

Basic specifications in respect of humidity measurements include multi-range indication, a special scale for low humidity readings, high sensitivity and rapid response. Humidity is covered from zero to 100 per cent RH, temperature from -10 to 40 deg. C, although alternatives can be provided. One of the systems can also carry out illumination measurements.

More from 38 Hampton Road, Twickenham, Middx, TW2 9QB (01-894 0112).

● METALWORKING

Melting methods improve

NOT AS widely known as it might be is the fact that a change to electric melting will in almost all cases produce a substantial improvement in foundry internal and external environment.

Temperature control and metal quality are generally accepted as being better, and reject levels and melting losses lower. Possibly the most important aspect is the change to electric melting will lead to lower overall melting costs.

It is difficult to quantify the benefits because so few small foundries have either the time or resources to adopt a sufficiently analytical approach.

One company which demonstrates the economic and environmental advantages of changing to electric melting is Draycast Foundry, at Chessham, Bucks.

Changing cubicles

FRAMELESS PANEL construction, with concealed joinings, is used for a range of change cubicles marketed by Thamesyl Products, Harts Lane, Barking, Essex, IG11 8NB (01-894 6514).

The panels, which are made of steel with a polyurethane foam infill, and are 52mm thick. They are joined with a keyhole and lug system and the company says that this method, combined with the strength and rigidity of the panels, makes them vandal resistant.

The cubicles are intended for use in swimming pools, and are used to provide WC, shower or changing facilities. Available in a choice of eight colours, the design allows architects to use the "through-flow" system with two-door changing glass and uses its insulating properties.

Cheaper versions for non-swimming pools are available in melamine laminate or sprayed inside of the pot melamine finish.

Details from Thamesyl Products, Harts Lane, Barking, Essex, IG11 8NB (01-894 6514).

● TRANSPORT

Fleet running cost cut

A NEW SYSTEM that enables companies to plan the most effective transport routes for their vehicles within seconds has been developed by Scicon.

Called Sciconpath, the system consists of a computerised databank which has its length in tenths of miles, a DOE estimate of the average travelling speed on that road, and a typical mix of traffic and its road class. There are, in fact, 15 road classes from three-lane motorway to urban roads.

Companies who want to know the most cost-effective routes for their vehicles can use Sciconpath "B" roads and ferries held in the databank.

Sciconpath can also be used to construct routes for the movement of hazardous chemicals or heavy or wide loads, as statistics like accidents per mile ratios can be fed to the databank and subsequent routes modelled.

Further from Scicon on 01-580 Department of Environment's 5599.

CONTRACTS AND TENDERS

ETHIOPIA INVITATION FOR BIDS

The Provisional Military Government of Socialist Ethiopia, has recently obtained a loan from the Federal Republic of Germany towards the cost of financing the improvement of Awassa-Dilla Highway (asphalt paving and partially realignment) and it is intended that the proceeds from this loan will be applied to payments under the contract for which this invitation to bid is issued. Payments out of the funds of the loan shall be made only upon approval by Kreditanstalt fuer Wiederaufbau of an application presented by the Ethiopian Road Authority (ERA) in accordance with the terms and conditions of the Loan Agreement and will be subject in all respects to the terms and conditions of that Agreement.

The Project is 85 km long and starts at Awassa, about 276 km south of Addis Ababa.

Major Construction Items are:

1. Unclassified excavation	about 595,000 M3
2. Borrow excavation	27,000 M3
3. Processed sub-base material	195,000 M3
4. Crushed Aggregate base course	155,000 M3
5. Surface Treatment Aggregate	17,000 M3 tons
6. Asphalt bitumen	24,000 M.L.
7. Drainage works (major items)	2,000 L.M.R.C. pipes + 1,000 M3 concrete, 80 tons steel
8. Reinforced Concrete Bridges with abutments, 7 in number with about 2,800 M2 of driveway area.	

All prequalified Contractors by the ERA are invited to participate in the bid. Prequalification of Contractors is mandatory.

Contract Document consisting of plans, Standard Specifications and Special Provisions will be available as of August 1, 1977, at the Ethiopian Road Authority (ERA) Contract Construction Division, Post Office Box 1770, Addis Ababa-Ethiopia.

Payment for these documents shall be in the form of a certified cheque or money order payable to the Road Authority and in the amount Ethiopian Birr ninety for the plans, twenty five for the Standard Specifications and fifty for the Special Provisions.

Sealed bids will be received by the Road Authority Contract Construction Division until 10.00 a.m. of October 4, 1977 at which time they will be publicly opened and read in ERA conference room, 4th floor.

The Road Authority reserves the right to reject any or all bids, to waive any formalities in bids received and to award the contract to other than the lowest bidder when in the opinion of the ERA, such action will be in the best interest of the Ethiopian Government.

GOVERNMENT OF MALAYSIA PUBLIC WORKS DEPARTMENT PAHANG TENGGARA HIGHWAY PROJECTS PREQUALIFICATION OF CONTRACTORS NOTICE OF PREQUALIFICATION

The Government of Malaysia plans to invite bids in October 1977 for the construction of two highway projects in the State of Pahang, Peninsular Malaysia.

The Government of Malaysia has applied for a loan to the Asian Development Bank (the Bank) and the proceeds of this loan, if approved by the Bank, will be applied to the foreign exchange components of the costs of the two projects. Accordingly, prequalification is open only to contractors incorporated in member countries of the Bank.

The works are divided into two contracts and contractors may prequalify for either one or both of the contracts.

Contract No. 1 comprises the construction of a 14.4 mile long secondary highway and 480 linear ft. of R.C. bridging. The carriageway width is 20 ft. and the pavement is of crushed stone base and bitumen macadam surfacing. Earthworks are expected to average 65,000 cu. yd. per mile.

Contract No. 2 comprises the construction of a 20 mile long secondary highway with 670 linear ft. of R.C. bridging and a 4.4 mile long tertiary road with 300 linear ft. of bridging. Carriageway widths are 20 ft. and 14 ft. for the secondary and tertiary road respectively, and pavement is of crushed stone base and bitumen macadam and of laterite. Earthworks are expected to average 78,000 cu. yd. per mile.

A construction period of 24 months commencing in late 1977 is envisaged for both the contracts combined. Shorter periods are envisaged if the contracts are awarded to separate contractors.

Contractors with extensive experience in projects involving highway and bridge construction and who are interested in receiving prequalification documents should forward their applications to:

Director-General of Public Works, Peninsular Malaysia (for the attention of Director of Roads), Jalan Tun Ismail, Kuala Lumpur 10-02, Malaysia.

Two copies of the prequalification documents, completed in the English language should be submitted to the Director-General of Public Works at the above address on or before 27th August, 1977.

Overseas contractors, if they so wish, may form a joint venture with Malaysian Contractors for the purpose of executing the Works.

REPUBLIQUE DEMOCRATIQUE DE MADAGASCAR JIRAMA MINISTRE DE L'ECONOMIE ET DU COMMERCE DIRECTION DE L'INDUSTRIE ET DES MINES

Prequalification of Construction Enterprises and Manufacturers

The République Démocratique de Madagascar intends to proceed with the construction of a hydroelectric project on the Vohitra at Andekaleka, 125 km. east of the city of Tananarive. Start-up of the first two units is scheduled for April 1982. The project is divided into contract packages for which tenders will be solicited from prequalified tenderers.

- Contract Package No. 1 Dam-Intake
- Contract Package No. 2 Power and tailrace tunnels-Powerhouse-Overhead travelling crane
- Contract Package No. 3 Sluice gates-Tunnel steel lining
- Contract Package No. 4 Turbines-Valves
- Contract Package No. 5 Generators
- Contract Package No. 6 Electrical services
- Contract Package No. 7 Mechanical services
- Contract Package No. 8 Power transformers
- Contract Package No. 9 Sub-stations

The above works shall be financed by international or national organizations.

Copy of the prequalification documents may be obtained by contacting:

JIRAMA Direction du Développement B.P. 300 Antananarivo Madagascar

Ambassade de la République Démocratique de Madagascar 4, avenue Raphaël 750016 Paris, France Tel: 504-1816

Représentation permanente de la République Démocratique de Madagascar à l'ONU 801 - 2nd Avenue East New York 10017 N.Y., U.S.A. Tel: 725-2292

Surveyor, Nanniger & Chênevert Inc., Consultants Division de l'Énergie 1 Complexe Desjardins Montreal, Quebec H2B 1C8 Canada

Telex: 055-60042 Tel: (514) 282-9551

Request for registration should be sent by registered mail and should reach JIRAMA at the above-mentioned address before August 31, 1977.

COMISION EJECUTIVA HIDROELECTRICA DEL RIO LEMPA (CEL) EL SALVADOR, CENTRAL AMERICA

Announces that international competitive bid invitations conducted for the:

CIVIL WORKS AND ERECTION OF Unit No. 3 of Ahu Geothermal Power Plant.

Bidding Documents are expected to be available and expected to be opened in accordance with the following:

Bid No.	Issued	Bid Opening	End
CEL-539	June 15, 1977	September 7, 1977	November

Contract Documents GST-D-3942 for Bid No. 539 refer furnishing of steel structure and materials for and construction of the mechanical and electrical equipment Power Plant rated about 35 MW and of the piping system.

Available to Bidder at ELC-Electroconsult, Consulting Engineers, Chabryer St. 20151, Milano, Italy or at Comisión Ejecutiva Hidroeléctrica del Río Lempa (CEL), c/o Calle Poniente 5, Salvador, El Salvador, C.A.

Bidder not previously qualified must submit with their application the following information:

1. Experience record in the erection of electromechanical eq for steam power plants
2. Experience record in the construction of similar civil
3. Reference statement of financial resources
4. Description of plant and organization
5. Banking references
6. Other information which will aid in judging bid

To be qualified the Bidder shall prove to be expert in the of the plant, the civil works may be subcontracted.

CEL has received a loan from the World Bank (IBRD) and of this loan will be applied to financing the Contract result the above bid invitation.

Bidding is open only to firms of member countries of IBRD Switzerland.

YEMEN ARAB REPUBLIC MINISTRY OF AGRICULTURE

The Government of the Yemen Arab Republic invites for the delivery, set-up and initial management of a farm 60 km north of Sanaa. Annual production 1,550 tons live weight heifers and 37 million eggs.

Financing is being secured from Government sources for partial or total financing by a tenderer will be in the Ministry of Agriculture in Sanaa, Yemen Arab. These can be purchased starting from June 15, 1977 payment of YR 4,000, this being the cost of tender.

Tenders shall be submitted to the Ministry of Agriculture later than August 31, 1977, 11.00 a.m. The opening same will take place in a public meeting at 12.00 same day.

Jefferys

ESPLEY-TYAS CONSTRUCTION LTD
Building & Civil Engineering

Building and Civil Engineering

£10m. Iran project

CIVIL engineering and building work worth £10m. is to be carried out in Iran by Fairclough.

The company says it involves the construction of facilities associated with five new gas compression stations at Kuzestan in south Iran and includes roads, services, foundations, fencing, wheelchair control and administration buildings.

The contract is being carried out for the Oil Services Company of Iran and is a joint venture between Fairclough International Construction and General Mechanic Company of Iran.

Foster Wheeler (Process Plants) of Reading, is the overall construction manager for the scheme.

Variety for J. Jarvis

NEW WORK for J. Jarvis, valued at £24m., ranges from an office and residential block and university hall of residence in London to a shopping mall in Sale, Cheshire.

The enclosed, heated shopping mall of nine shops and roof car park in Sale, is part of phase 2 of the redevelopment of the central area of the Sale Shopping Centre for Langford Property Company, a subsidiary of Seamount Properties. Turner and Townsend, of Manchester, are the architects.

In Robert Adam Street, London, W.1, Portman Investments (Baker Street), a subsidiary of London Merchant Securities has commissioned a two-storey office and residential building as phase 2 of the development of an island site.

Elson Pack and Roberts are the architects. Jarvis completed phase 1 in 1974.

An additional five-storey hall of residence and a club room designed by Ralph Tubbs are to be added to the University College London complex in Camden Road, N.W.1, while in Shaftesbury Road, Edmonton, N.15, a single-storey warehouse and a two-storey office block is being rebuilt for Nevisfield Development following a fire. John Deal and Martin Card are the architects.

More modernisation and renovation contracts are for the four upper floors of 126-124 Baker Street, W.1, for the English Property Corporation and for houses and shops in Ponsbury Place, Millbank, S.W.1, for the Crown Estate Commissioners.

Gleeson's housing and warehouse jobs

HIGHEST IN a group of four housing awards won by members of the Gleeson Group, in a total award series worth £4.6m., one placed by the Greater London Council to the tune of 1.5m. for 99 dwellings and ancillary works to support them in Area 3L at Thamesmead.

Completion of the work on its major site is scheduled at 3 months and operations have already started.

Second largest contract has one to Gleeson (Sheffield) at 390,000. It has been placed by the City of Sheffield and is for 65 dwellings to be built on Langsett Road, Phase II site. The same group affiliate has taken an award worth 583,000 in Sheffield, for 62 flats at

Newfield Green, Gleadless Road. This project is for the Northern Counties Association.

The last building contract involving homes is on a Chesterfield site, for the Anchor Housing Association, specifying 98 flats and worth £372,000.

At the Fairfield General Hospital under the Bury Area Health Authority the group will next month begin to build a major geriatric unit for completion in January 1980. This will cost £868,000.

Back to Sheffield, where the group is busy on a warehouse for Dixon's Photographs which will be completed in September this year. The contract value here is £316,000.

£8m. awards to Laing

JOHN LAING has been awarded a £4.3m. contract by Emberbrook Engineering, project engineering subsidiary of the Milk Marketing Board, for a creamery at Stonehouse, Glos.

The buildings will encompass a spray drier tower, powder and water stores, offices, laboratories and effluent plant. They will be mainly steel-framed with brick cavity wall infill and pitched felted roof decking. The administration block will have a reinforced concrete frame with brick cavity walling and a flat roof.

In addition to this project Laing has been awarded two contracts worth £2.5m. to build 323 homes at Couby Newham on the

southern fringes of Middlesbrough.

The projects are part of the first phase of a major extension to the town being built for the Middlesbrough Borough Council. Other work will include the construction of a meeting hall and corner shop together with associated works and landscaping.

At Milton Keynes, Laing is to undertake a £1.1m. contract to build 101 homes in the Neath Hill area on the north side of the city while at St. Albans, (Herts.) it has won a contract awarded by Grosvenor Estate Commercial Developments for a worth £2.5m. to build 323 homes 4-storey office block. Value of this is £413,000.

Any old iron . . .

WHEN buildings are demolished or altered, useful and valuable architectural features and materials are often lost. Brick, stone and plaster is reduced to hard-core and timber burnt.

A firm of consulting architects thinks many organisations could make use of these items for restoration projects and in connection with the Architectural Press has launched a service called the Architectural Salvage Index. Prospective buyers will

be put in touch with anyone who has salvaged building materials or architectural features for sale.

Hutton and Rostrom, the architects involved, say first sales have already been made and covered slates, tiles, bricks, rafters and balconies, gates and flooring. The service is free until the end of July and details can be obtained from Architectural Salvage, Netley House, Gomshall, Surrey. Shere 3221.

IN BRIEF

White Young and Partners have been commissioned by Davy Ashmore International to act as consulting civil engineers in respect of civil co-ordination engineering on the recently obtained £37m. iron plant contract for the ACOMINAS iron and steel project in Brazil.

A contract worth more than £200,000 has been awarded to Tilbury Construction for a relief road to be known as Cross Town Road, Burgess Hill, Sussex. Work started last week.

The Grosvenor Housing Society, St. Helens, Lancs. has placed a £379,000 contract with Mears Construction for the erection of three two-storey blocks of flats at St. David's Church, Folds Lane, St. Helens. Further north, the Lancashire Health Board has awarded Mears a contract, value £103,000, for the erection of a block for staff residential accommodation at Belsbill Hospital, Belshill.

Self Drive hire a LAND ROVER

All vans available - Range Rover, 12 seater Sprinter, SWB, LWB, With or without generator, compressor and working equipment.

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 Scotland: Leith 3221

Four Four Hire

Leith, Edinburgh

BUILDING CONSTRUCTION

Bahrain; Doha; Abu Dhabi; Dubai; Sharjah; Riyadh

Well-placed, medium sized contracting companies in these areas are anxious to sponsor Joint Venture Building Construction Companies and we would welcome initial contact from large firms who are interested in our propositions: e.g. immediate assignments - two hotels and one office complex - Riyadh. Please contact:

Mr. Clive Sheldon,
SEELDON & ASSOCIATES,
 Industrial Engineers & Consultants,
 73 Carterknowle Road, Sheffield S7 2DW
 Tel: Sheffield 57478. Telex: 547224

Offices for Saudi Arabian road

Bank of England

NEW PREMISES for the Bank of England are to be built in Glasgow by Sir Robert McAlpine and Sons.

Work is just starting on the building which will have a basement, ground and four upper floors. Value of the contract has not been disclosed, but is believed to be about £3m.

Readymade steel frame buildings

CONDOR, which has specialised in custom-made steel-framed buildings is now marketing an off-the-shelf system for overseas markets.

The system provides seven different building widths based on three span modules of 18, 24 or 30 metres each, and is designed for low capital cost and fast erection.

Standard 6 metre bays are used to make up almost any length of building, and the 6 metre eaves height provides enough room for most manufacturing or storage processes.

The company says the basic design has been kept deliberately simple so that the buildings can be erected easily anywhere in the world with the minimum of supervision. Base details and holding down bolts are usually despatched in advance to allow site work to begin before delivery of the steelwork.

OVE-ARUP and Partners have been commissioned by the Ministry of Communications of the Royal Saudi Arabian Government for the design and supervision of construction of part of the road connecting Riyadh, the capital city, with The Gulf port of Dammam in the east and the Red Sea port of Jeddah in the west.

Length of the road will be about 510 km., which is a little less than half the distance between the two ports and it will be divided into two almost equal sections, one to the east and the other to the west of Riyadh.

The section to the east will pick up the newly designed ring road a few kilometres outside Riyadh and extend eastwards to meet the Dhahran-Al Hofuf road just outside Hofuf.

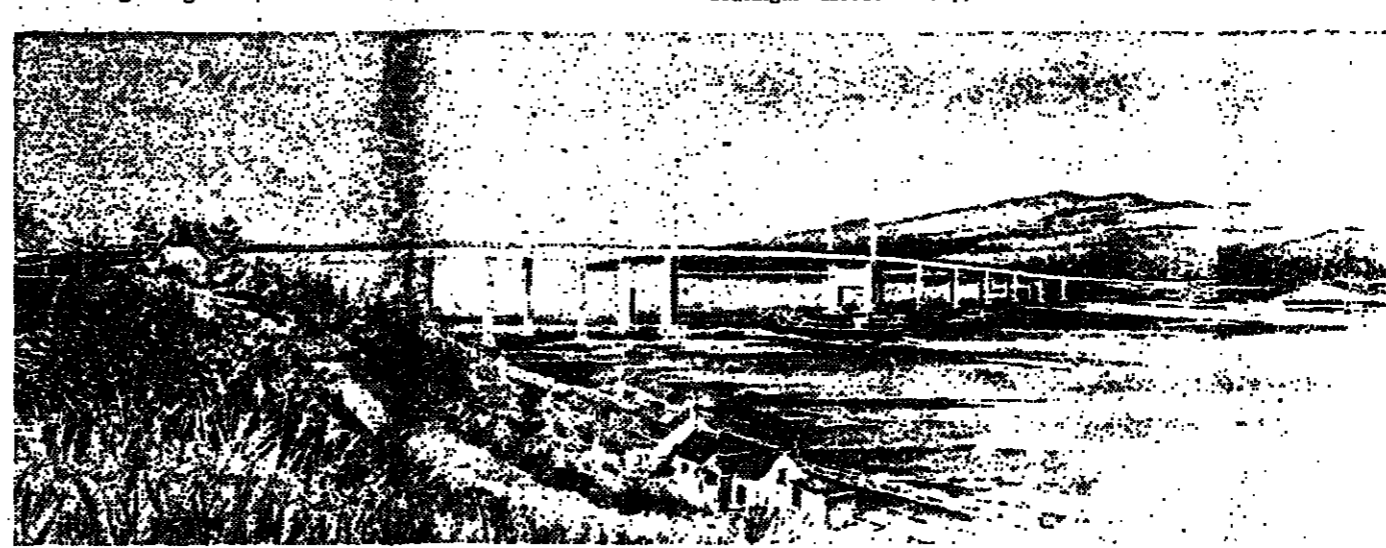
The other section of road is to connect with a new road through the desert just west of Riyadh at Al Mazahimiyah and extends westwards as far as Halaban.

The design stage is due to be completed in July 1978 and construction is planned to commence later the same year. In both sections the road crosses sand dunes and in the western section it passes through a low range of hills. The work involves construction of various lengths of dual two-lane highway and duplicating other sections of existing carriageways. Cost of the work is estimated to be over £200m.

£1½m. road contract

RUSH AND TOMPKINS has successfully retendered for the Wickford inner relief road and Newendon by-pass in Essex.

The new tender of £1½m. has been accepted by Basildon District Council and it is expected that work will start towards the end of July. The figure for the original tender last October was £1.4m.



Artist's impression of the 1,052-metre-long Kesock Bridge which is to be built over the Firth of Beaulieu north of Inverness by a consortium of the Cleveland Bridge & Engineering Company and Redpath Dorman Long. The design/construct contract, reported in the Financial Times on June 22, was won in the face of fierce competition from other British and European consortia.

Cleveland is to be responsible for the superstructure and RDL for the sub-structure. Design is by Dr. Ing H. Homberg in association with Cleveland.

The contract calls for 2½ km. of dual carriageway, three roundabouts, two reinforced concrete bridges over the River Crouch, three Armo culverts and two subways. The work will take about two years.

Homes to be improved.

TWO HOME modernisation contracts worth more than £700,000 have been awarded to Hardstock (Scotland).

One contract is from the Scottish Special Housing Association and involves 56 houses in Gartlehill, Airdrie. This is worth £166,000.

The other contract—worth over £533,000—is for the modernisation of 152 houses in Raploch, Stirling, for the District Council.

Housing in Kent

WITHIN the next few days, Willett, a member of the Trafalgar House Group, is to

start on a £1.6m. housing contract in High Street South, Northfleet, Kent.

Awarded by Gravesham Borough Council, the contract is for 18 three-bedroom houses in blocks of six and 122 flats in two and three storeys.

Construction of both houses and flats is to be of traditional load-bearing brickwork with precast concrete floors and pitched tiled roofs.

Industrial buildings

FACTORIES figure mainly among the latest contracts totalling over £1½m. awarded to Wincott Gallford.

Largest of the contracts is a single storey factory for Meritina at Huthwaite, Mansfield, Nottingham which is being built at a cost of £1.4m.

Other awards include an animal housing and welfare unit at Hillcrest, Belton, Loughborough, Leics. for Fisons (£108,418) and smaller jobs for Massey-Ferguson, Rodis-Royce, Caterpillar Tractor and Alfred Herbert.

Converting houses to flats

SCOTT HALE (Contractors) has been awarded contracts for housing rehabilitation in north London totalling £477,000.

For the London Borough of Camden, 19 houses in Herbert Street, N.W.5 are being converted to flats and maisonettes at a cost of £351,000 while for the London Borough of Islington four houses at Thornhill Crescent and Thornhill Square N.1 are to be converted into 12 flats.

Orders for Ruberoid roll in

RUBEROID Contracts, a subcontracting member of the Ruberoid Group, has announced that orders placed in the six month period up to the end of April, 1977 were double those of the same period last year. Orders for the first four months of 1977 were worth over £4m.

Current orders include £300,000 worth of roofing work at BP's Sullom Voe on-shore oil base in the Shetlands; £180,000 for roofing and cladding a plastics factory at Milton Keynes for R. H. Gale; £150,000 for roofing Phase 2 of the reconstruction of London Bridge Station for British Rail and £280,000 for roofing of a shopping centre at Hempstead Valley, Gillingham, Kent.

TENNECO'S GROWTH 1971-1976



**Earnings reinvested, up 278%.
 At the same time, dividends up 42%.**

During the last five years, income retained in Tenneco's businesses increased from \$55 million to \$208 million, climbing 278%.

Over the same period the common stock dividend rate was increased from \$1.32 in 1971 to \$1.88 in 1976, a gain of 42%.

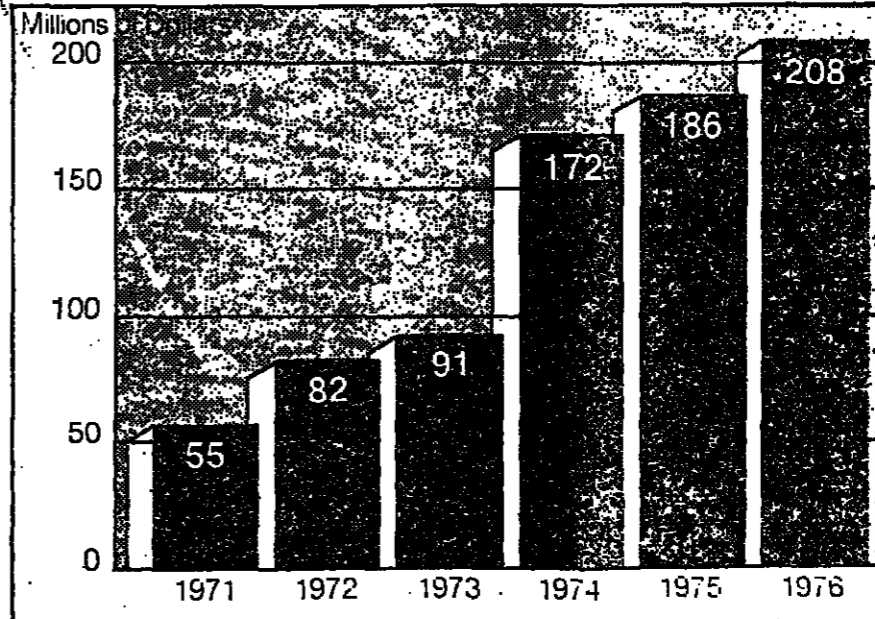
The added earning power not only to maintain, but increase, the dividend rate while reinvested earnings quadrupled, is the result of a well-directed long-term program of capital expenditure.

In fact, Tenneco's annual capital expenditures rose from \$290 million to \$613 million during this 5-year period. And with about \$800 million in new capital investment planned for 1977, Tenneco is positioned for continued growth.

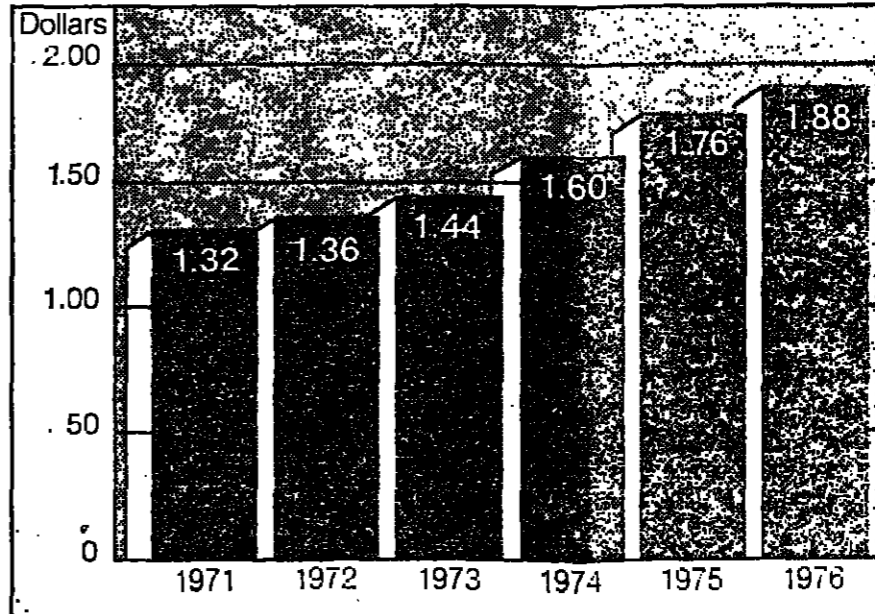
These developments also demonstrate the success of Tenneco's management philosophy, which is to decentralize operating control of its 8 major businesses, while placing investment planning in the hands of senior management at the corporate level.

Professionals are referred to Tenneco's financial analysts' yearbook for further information. Tenneco Inc., Dept. H-5, Houston, Texas 77001.

Income Retained In Business



Dividend Rate At Year End



TENNECO CHEMICALS □ TENNESSEE GAS TRANSMISSION □ TENNECO OIL □ PACKAGING CORP. OF AMERICA □
 TENNECO WEST □ J. I. CASE □ WALKER MANUFACTURING □ NEWPORT NEWS SHIPBUILDING □

Tenneco

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends are to be paid or not.

TO-DAY
COMPANY MEETINGS
Authority Invest. Co. Ltd. 11.30
B.N. Synthon, Sheffield, 12
B.N. Synthon, Winchester House, E.C. 11
F. H. T. Ltd., 12, Baker Street, W. 1

DIVIDEND & INTEREST PAYMENTS
Aberdeen Inv. Co. (Contractors) 0.9pp
Aberdeen Inv. Co. (Contractors) 0.9pp

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THURSDAY JUNE 30
COMPANY MEETINGS
Authority Invest. Co. Ltd. 11.30
B.N. Synthon, Sheffield, 12
B.N. Synthon, Winchester House, E.C. 11

U.K. TRADE FAIRS AND EXHIBITIONS
Date Title
Current British General Exhibition (Oct. 30)
Current Contract Furnishing, Int. Des. Exh. (cl. June 30)
To-day London Guild of Weavers Exhibition (cl. July 8)

General Invest. Co. Ltd. 11.30
Authority Invest. Co. Ltd. 11.30
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APPOINTMENTS

P. Gregson to leave NEB post

Mr. Peter Gregson, on completion of his period of secondment from the Civil Service, will be reappointed to his post as secretary of the NATIONAL ENTERPRISE BOARD on August 8.

Mr. Ian Michaelson-Yeates has been appointed deputy managing director of all companies within the SCHROEDER LIFE GROUP. He was previously financial controller of Cannon Assurance.

Mr. John Goodie has resigned as group managing director of MARTIN-BLACK, but remains on the Board. Mr. G. A. Black and Mr. Alex Johnston have been appointed joint managing directors. Sir Ian Morrow has joined the Board.

Mr. J. W. Northwood has resigned as chairman and chief executive of DOWNS SUBSIDIARIES after more than 50 years on the Board. Mr. N. G. Shove has become chairman and joint managing director, and Mr. R. Latham, joint managing director.

Mr. Geoffrey Oldham, at present manager of the Central Training Centre, has been appointed to the new post of MANAGER OF THE CENTRAL TRAINING CENTRE, London.

Mr. Duncan F. F. Mount has been appointed to the post of MANAGER OF THE CENTRAL TRAINING CENTRE, London.

Mr. Derek Gainer has been appointed division director of engineering and research at BORG-WARNER transmission division.

Mr. Bela Subramaniam has been appointed to the newly-created position of resident director. Europe, in charge of the European operations, to be based in London.

Mr. G. J. Simons, the company's controller, has joined the Board of FINDER, the frozen food subsidiary of Nestlé. Mr. Simons has been with FINDER and associated companies since 1950.

Mr. K. N. Peters has joined the Board of RESOURCES EVALUATION as Andrew Weir and Co's representative following the recent acquisition of a 25 per cent stake in the company. Mr. M. de la Hampe, previously financial director of a major division of GEC and a director of Wm. Brant and Sons and Scaffolding Great Britain, has also accepted an appointment to the Board.

Following the British Aluminium Company's acquisition of a one-third interest in BIRMETALS, Mr. E. S. F. C. Roberts, in place of director of British Aluminium and Mr. J. E. Chalkett, commercial director of BA Rolled Products, have been appointed to the Board of Birmetals.

Mr. G. E. Porter, county surveyor of Berkshire, is to be director-general of the ASPHALT AND COAL-TAR MACADAM ASSOCIATION when Mr. J. V. Leitch resigns in March 1978. Mr. Porter joins ACMA at the beginning of next year.

Mr. G. J. Simons, the company's controller, has joined the Board of FINDER, the frozen food subsidiary of Nestlé. Mr. Simons has been with FINDER and associated companies since 1950.

Where to test drive the Scimitar GTE.

- Avon: John Dinglefield Sports Cars... Bedfordshire: Park Lane Garage... Berkshire: Park Lane Garage... Birmingham: Park Lane Garage... Bristol: Park Lane Garage... Buckinghamshire: Park Lane Garage... Cambridgeshire: Park Lane Garage... Cheshire: Park Lane Garage... Devon: Park Lane Garage... Dorset: Park Lane Garage... Essex: Park Lane Garage... Gloucestershire: Park Lane Garage... Hampshire: Park Lane Garage... Herefordshire: Park Lane Garage... Hertfordshire: Park Lane Garage... Kent: Park Lane Garage... Lancashire: Park Lane Garage... Leicestershire: Park Lane Garage... Lincolnshire: Park Lane Garage... London: Park Lane Garage... Merseyside: Park Lane Garage... Norfolk: Park Lane Garage... Northamptonshire: Park Lane Garage... Northumberland: Park Lane Garage... Nottinghamshire: Park Lane Garage... Oxfordshire: Park Lane Garage... Shropshire: Park Lane Garage... Staffordshire: Park Lane Garage... Suffolk: Park Lane Garage... Surrey: Park Lane Garage... Warwickshire: Park Lane Garage... West Midlands: Park Lane Garage... West Yorkshire: Park Lane Garage... Wiltshire: Park Lane Garage... Worcestershire: Park Lane Garage... Yorkshire: Park Lane Garage...

This week in Parliament

THURSDAY
Commons - Proceedings on Northern Ireland (Emergency Provisions) (Amendment) Bill, second reading. Control of Food Premises Bill, third reading. Debate on EEC Environment Policy. Select Committee - Nationalised Industries, Subcommittee A, Subject: British Waterways Board. British Inland Waterways Association. Room 8, 4 p.m. Main Standing Committee - Standing Committee D on Patents Bill (Lords) 10.30 a.m., Room 11. Standing Committee E on Criminal Law Bill (Lords), 4 p.m., Room 11. WEDNESDAY
Commons - Supply day debate until 7 p.m. on recruiting methods and techniques of SLADE. Opposed private business. Motion on Incumbents (Vacation of Benefices) Measure. Lords - Debate on crisis in the penal system. Select Committee - Overseas Countries and Territories Trade Policy and Aid Policy. British Overseas Trade Board (BOTB), 4.15 p.m., Room 6. Main Standing Committee - Standing Committee C on Abortion (Amendment) Bill, 10.30 a.m., Room 8. FRIDAY
Commons - Proceedings on Appropriations (No. 2) (Northern Ireland) Order and on the Criminal Injuries (Compensation) (Northern Ireland) Order.

The Executive's and Office World

EDITED BY CHRISTOPHER LORENZ

MANAGEMENT EDUCATION

BY MICHAEL DIXON

The mystery of action-learning

GOOD basic text for all management education would setting them to work out over several months a way of over-coming a major, real-life problem in their own or an unfamiliar organisation, and to get their solution put into effect. Throughout the process each participant has regular access to a supporting group composed of fellow action-learners tackling different projects.

The general failure of management education in this country to achieve even what might reasonably have been expected of it can be blamed to considerable extent on the tendency of working managers to seek shortcuts. The majority of management teachers who have resisted this glibble demand often see the efficacy of it more reliable, if limited, than the unrecognised and unacknowledged expectation of much more. The introduction of sensible development of approaches is hampered by market's penchant for stretching them up and another them with over-enthusiasm.

Exerts an attraction

Moreover, once a technique comes known as a supposed miracle, it exerts an attraction all beyond the people who value the prospect and price of gaining it. Many others react deciding that since they cannot have what they want, they do not want what they can have.

One of the approaches which aims to have become mystified in this way over recent years is action-learning. In its simplest form, this consists of setting a number of (usually senior) executives from different normal ties of their jobs, giving them some brief formal

him, but only by driving on a or more of the programme no Sunday from London to a technical college near Nottingham where he had settled for a level of their company, although a couple of hours before flying to their employer has meanwhile Texas or somewhere. But in that short time, he enthused me, a waste of expensively developed talent. In these circumstances appeal may lie in the much "waste not" can easily become observed reluctance, particularly of senior managers, to engage in forms of management

Action-learning can contribute in ways that formal instruction cannot, and so has an important part to play as a complement to more standard methods of study . . .

The participants are also assigned to tutors, who may be company executives or management teachers or both. The main purpose of the tutors is not to tell the learners how to surmount the obstacles they encounter, but to provide them with resources such as a different perspective, a sounding board, and perhaps a link into a management school or another facility where the necessary knowledge may be found.

The appeal of this approach would be hard to explain comprehensively. Certainly it has been promoted with enthusiasm, and more than a hint of the evangelist, by Professor Reg Revans. He has now initiated action-learning programmes in so many different places that keeping him in touch with them requires him to travel round the world a bit like the Flying Dutchman: I did once manage to have a conversation with

education that smack of "going back to school." Some say the reluctance is due to senior executives' fear of being exposed in the lecture theatre or seminar room as something less than omniscient. Others say it is because they are afraid of going away from their job to study, in case it isn't there when they get back. Either way, action-learning can be seen as having advantages over formal instruction.

Other supposed advantages, however, are attended by definite risks.

The would-be participant may well be attracted by the idea, but the experience has developed their managerial abilities to a degree that could not be matched by simpler means, say, by their employer's providing time and inducement for regular, frank tutorials with senior executives. Nor can their heads against for years. But this prospect is balanced, fairly viewed as the sole means that at the end of the half-year perspective and sharper politi-

cal self-awareness which some claim result from being set temporarily free of the normal constraints of one's job.

Accordingly, the benefits to the employing concern could well be outweighed by the costs, as is often the case with other forms of training. These include the salary and usually increased expenses of the participant for six months or more, plus tuition fees. In the first of the GEC programmes the fees were around £2,500 a head.

This is not to deny that action-learning can contribute to managers' development in ways that formal instruction cannot, and so has an important part to play as a complement to more standard methods of study in organisations' training schemes. Some companies are already applying it in this way. The newly designed graduate training programme at Turner and Newall, for instance, uses the tackling of real problems within the group in conjunction with sessions of normal management teaching at Loughborough University.

Taste of top executives

Even so, the balance of costs and benefits of action-learning surely suggest that nobody could realistically regard it as a complete replacement for training courses of the types which can be provided either in company or in business schools. And since these can cater more cheaply for much larger numbers, I have little doubt that they are more important to the national economy than action-learning as a "thing in itself," even though it may be more to the taste of top executives.

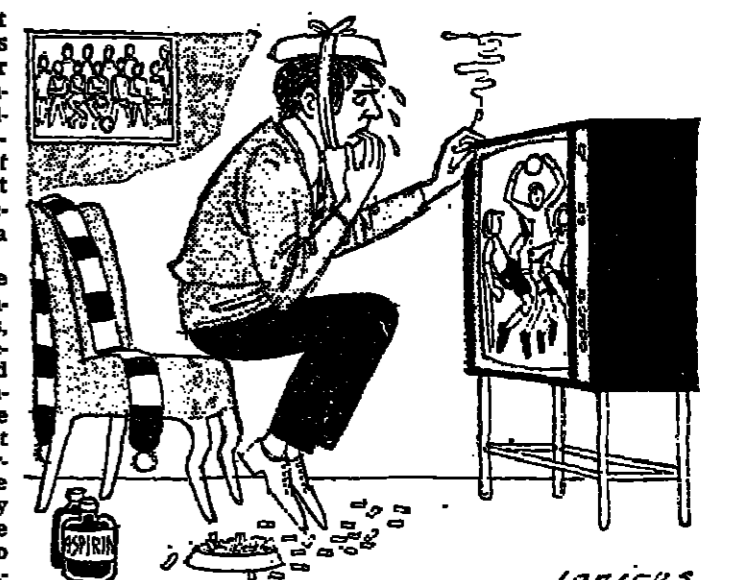
EXECUTIVE HEALTH

BY DR. DAVID CARRICK

The truth about headaches

I SUPPOSE that the commonest ailment afflicting mankind is headache. Whether or not other animals suffer likewise is unknown, but I suspect that quadrupeds do not; and it is interesting to speculate at what point in evolution the trouble first started . . . possibly when apeman raised himself up to have a go at stone-knapping.

Most people accept this ban so long as it is of short duration and due to accepted causes, such as fluid-dietary indiscretions, and when it is despatched by one of the innumerable panaceas which, if one believes the television advertisements, act with astonishing rapidity, particularly if "approved by the medical profession." It is only when there is no known cause and when the ache will not go away, or if relief by those medicaments is of a temporary nature, that people begin to worry.



... the disorder is a tension headache ...

Eye-sight is usually blamed first. So, a visit is made to the optician who is happy to be accommodating for a reasonable sum. Then, if despite the new glasses, the trouble persists, patients urge their doctors to send them to the Ear Nose and Throat surgeons, who may, if they have time, put them on the waiting-list which, in these enlightened days, runs neck and neck with an average glaci-er.

Meanwhile the headaches go on, mainly affecting the forehead and the back of the neck. The sufferer worries. Kind friends suggest causes varying from high blood pressure to brain tumours, and recall exactly similar symptoms in old friends and relatives—"all dead now, poor souls!" Little comforted, the patient loses sleep and the headaches get worse and, in some individuals, other strange symptoms develop, such as tingling in the left foot spreading up to the right ear accompanied by numbness of various parts of their anatomy plus breathlessness and other totally unconnected disturbances of a bizarre nature.

Nine times out of ten the disorder is a tension headache. Now some interpret the adjective as being purely psychological—due, no doubt, to some totally unknown incident that befell the sufferer before he was born. Others dismiss the psyche and say that it is entirely muscular tension due to fibrositis. Of course the truth lies between the psyche and the soma: the trouble is both psycho-somatic and somato-psyche, because the brain cannot be divided from the body except by severe and fatal trauma like the type Sir Walter Raleigh had, briefly, in mind when, on observing the others that are not remembered, he said: "Tis a sharp remedy, but a sure one for all friends and relatives—"all ill."

The great muscles of the trunk and shoulders are inserted into the base of the skull. If unnatural tension occurs in parts of these muscles, due to fibrositic nodules, then the scalp is tugged backwards. Although the brain itself cannot feel pain, the scalp most makers of that drug C.H.O (CH₃CO)OOH or, if you prefer it, the common aspirin.



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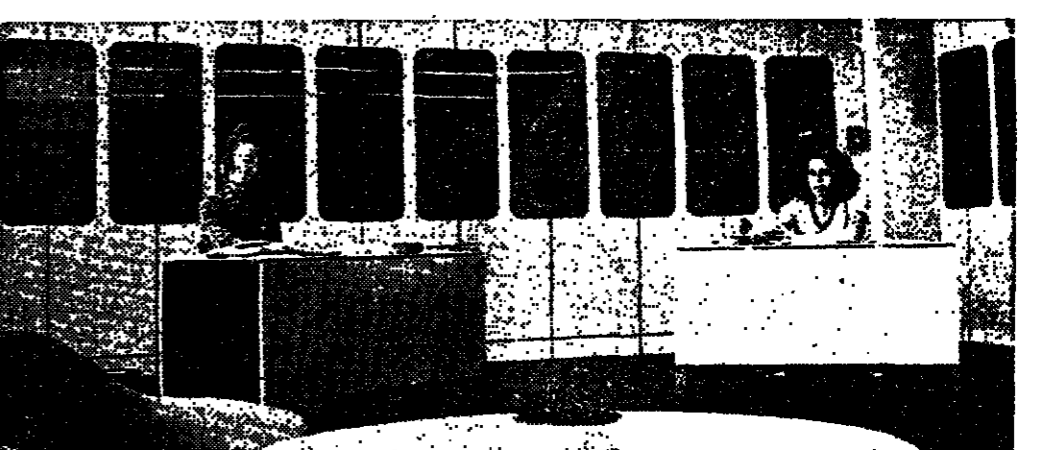
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OFFICE OF THE YEAR

BY SUE CAMERON



THE WINNERS of the Office of the Year competition—organised by the Institute of Administrative Management—received their awards from the Duke of Gloucester in London last week.

The contest, which has been run for the past four years, is divided into three sections. The first is for new office buildings specifically designed for the occupiers' requirements and the 1977 award for this group has gone to Truman for its brewery offices in Brick Lane, East London.

The Truman administration building is in the centre of a 300 year-old complex which includes two Georgian houses that the company has renovated. It has 111,000 square feet of space, most of which has been divided into three large, open plan, air-conditioned areas. There is also a restaurant, as well as social amenities for the 1,000 people who work at the brewery.

Speculatively

The second grouping in the competition is for office accommodation provided within the shell of a speculatively built building and this was won by Bland Payne for its office in Queen's Road, Norwich. The Bland Payne office includes a computerised telephone switchboard—pictured above—which enables two operators to deal with 88 simultaneous external calls and 450 different extensions.

The third section in the contest is for offices in an existing building that has been renovated or upgraded to meet the occupying company's needs. This award was won by London and Continental Bankers for its offices at Throgmorton Avenue, London, E.C.2.

The aim of the competition is to improve the office environment. In presenting the awards the Duke of Gloucester, who is himself an architect, said that the majority of existing British offices were "barely fit for human habitation." He added that a well planned office should be flexible enough to accommodate fluctuating numbers of employees and it should also eradicate some of the difficulties that arise when people have to share office space with others.

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MONDAY, JUNE 27, 1977

A Budget still unfinished

IT SEEMS extraordinary that the Prime Minister should apparently commit the Government to further reflation in the autumn at a time when the shape of the April budget is still unknown.

Points of principle

Meanwhile, the votes have also raised some points of principle which Ministers can consider ahead of the forecast.

However, it seems clear that the Treasury finds it objectionable. Its fears are no doubt based on the fact that the Commons vote is very visibly one of those thin ends whose following wedge the Civil Service dreads so much.

There are clearly risks in indexing anything, even option-ally, and certainly the most careful thought needs to be given to the choice of an appropriate index to minimise such risks.

No firm lead on direct elections

AFTER considerable dissension inside the Cabinet between pro- and anti-marketters, the Government has at last published its proposed legislation on direct elections to the European Parliament.

As a matter of principle, the Government was committed to introduce legislation providing for direct elections, not merely by virtue of its agreement with the other governments of the European Community.

The best thing about the Bill is the proposal that the method of voting in direct elections should be on the basis of a form of proportional representation through regional lists.

HARD on the heels of the controversy over the alleged uranium producers' club, a new row is now likely over a much longer established agreement between zinc producers.

The documents leaked primarily concern an internal political row in the Australian Trade Practices Commission about how the Australian domestic zinc price is "fixed."

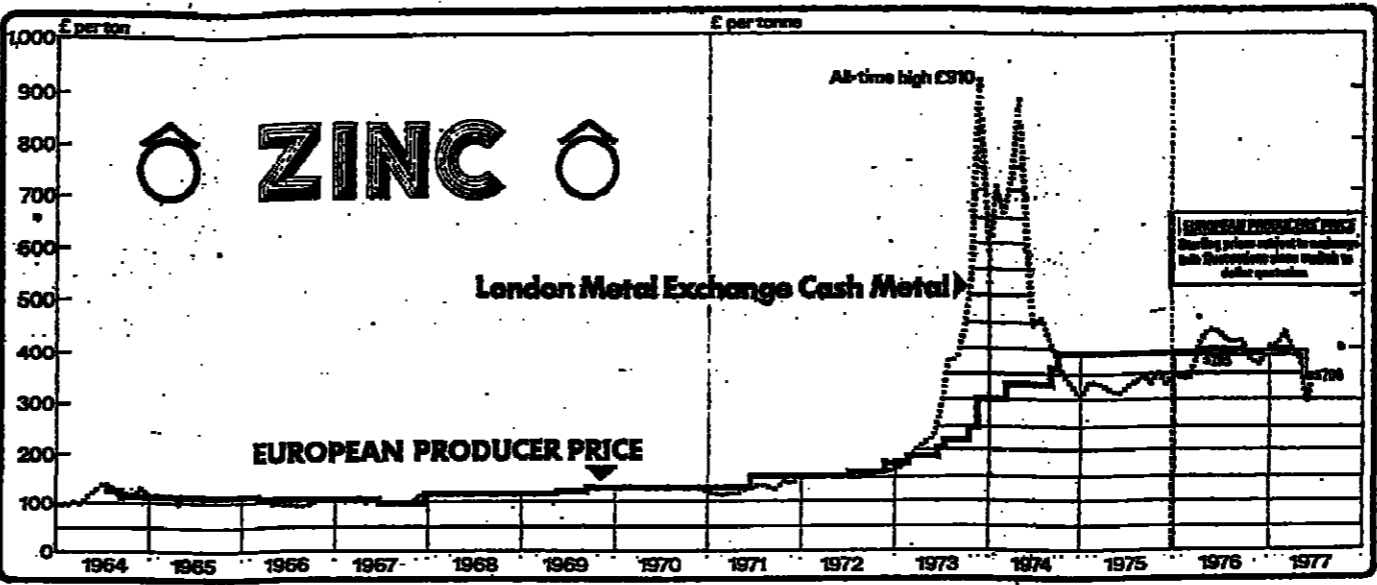
But since this is part of an international zinc pricing agreement, it has important implications elsewhere, notably in the EEC, where there must be concern that the Treaty of Rome provisions under Article 85 banning cartels have been openly flouted with the knowledge of most member Governments.

The collapse of the zinc club in the past year, while lessening the embarrassment for governments, also has far-reaching implications for future price policies for commodities in view of the current international drive for price stabilisation of raw materials as part of the proposed new economic order to help developing countries.

In fact, the existence of a zinc producer group has been so real secret ever since it started in 1964. Although the producers' meetings were held in secret, and never officially acknowledged as having taken place, reports of the decisions taken were widespread and any Government departments concerned with metal prices must have been fully aware of what was going on.

Regular meetings were held in London and in Brussels, with representatives from between 20 to 30 companies, made up of mining firms and "custom" smelters who process ore concentrates bought from the mines.

Decisions were also taken on whether or not production cut-backs were needed to avoid a surplus supply building up and



undermining the agreed price. In addition, support buying operations were organised to control values on the London Metal Exchange zinc market so as to avoid it undermining the producer price too.

The Metal Exchange is the main alternative source of zinc supplies, relying since 1964 almost entirely on shipments from Communist countries, notably North Korea, which were often prepared to sell cheaply to merchants to obtain much needed "hard" foreign currency rather than other too much about costs of production.

A row, too, has developed within the Australian Trade Practices Commission over its failure to act against the zinc cartel of which the commission was notified nearly three years ago.

According to the documents, a member of the Australian Trade Practices Commission, Dr. George Venturini, has accused his colleagues, and particularly the commission chairman, Mr. Ron Bannerman, of failing to fulfil obligations within Australia and Australia's international obligations through the OECD, by allowing the overseas operations of the cartel to continue.

Members of the group are identified in an agreement dated January 9, 1975, as North Broken Hill, New Broken Hill Consolidated, the Zinc Corporation, Sulphide Corporation Proprietary, Broken Hill Associated

Smelters Proprietary, Electrolytic Zinc Company of Australasia, and Cobar Mines Proprietary—all Victorian companies, and all partners in Blenden Proprietary, described as "the instrument of operation in metal trading on the LME and elsewhere."

According to the Trade Practices Commission documents, a group of mining company representatives met Mr. Bannerman in the North Broken Hill (NBH) Boardroom in Melbourne.

Mr. Bannerman's notes of the meeting show those present as Mr. Hugh Morgan, then director of marketing and finance, New Broken Hill; Mr. Peter King, general manager, marketing, Australian Mining and Smelting; Mr. John Payne, general manager, marketing, Electrolytic Zinc; and Mr. Keith Harvey, of the TPC.

Mr. Bannerman notes that the meeting had been requested by Mr. Morgan two days earlier and: "Mr. Morgan, who described himself as a former lawyer, did most of the talking until late in the conference when I joined in."

was general dissatisfaction basing prices on the London Metal Exchange quotations which often sharply from day to day, giving forward planning a mare.

At the recent Inter Lead and Zinc conference London both producers and consumers made it clear they did not want to return to the Metal Exchange quotations. They preferred stability of the producer system provided for years but which would be cut to maintain without way of preventing it from undermined by cheap prices from, for example, Korea.

Zinc is not among "core" commodities picked by UNCTAD for its inter-commodity programme, which a multi-buffer system be used to stabilise price "reasonable" levels, but is mainly produced in the developed world. It is, however, third most used base metal after aluminium and with an annual Western production of some 5m. tons. It is used in a range of products, either protective coating on gal steel, or in die-cast alloy break up the producer price zinc would, therefore, be an unfortunate precedent for overall attempts to bring stability into the core markets.

However, there are signs of the urge among zinc producers to co-operate is not dead. At the same time, both the Australian and Canadian governments made it plain they objected to export cartels just do not like them at their domestic market.

Mr. Bannerman's grant export certificate and measure of this course of action become the central point of case now being waged by the "commission" by Dr. Venturini. On April 29 last the commercial attaché at the U.S. Embassy in Canberra to Mr. Bannerman "in his capacity as a member of the TPC" and with OECD recommendations on notification of trust actions," notified Justice Department invitation "into possible conduct and other cartels foreign refiners of zinc."

According to documents the 516, Dr. Venturini should have immediately informed of the informal possession of the Trade Practices Commission, for transmission to the authorities. But apparent such action has been taken.

How the Australian cartel worked

BY KENNETH RANDALL in Canberra

As saying that in zinc marketing, the producers were concerned with "a package of activities," including consultation with producers in Europe, Peru, Canada, and Yugoslavia, with the pricing of zinc in world markets, and with the "European Producer Group price."

Mr. Bannerman's rather terse notes continue, quoting Mr. Morgan: "The others rely on our leadership (European Producer Group). The other barometer is the London metal market, which only handles (physically) 60,000 to 100,000 tons. Otherwise, it is a bunch of speculators. Sells a lot of futures, of course. The LME is an unsatisfactory mechanism."

The notes go on to record Mr. Morgan's account of "subsidiary activities of the group."

Mr. Morgan said that the meeting had been requested by Mr. Morgan two days earlier and: "Mr. Morgan, who described himself as a former lawyer, did most of the talking until late in the conference when I joined in."

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MEN AND MATTERS

Here is the... news Listeners to Radio Uganda, President Amin's principal channel of communication both for his unfortunate countrymen and the world outside, have to cultivate patience. News broadcasts often begin earlier than scheduled, which means the most important item can be missed—or the bulletin goes on so long that the temptation is to turn it off, again with a good chance of missing the most important message.

Radio Uganda is of course not so much a news station as Amin's personal plaything, and his deeds, and often those of a wife Sarah and his ten-year-old son, are described in heroic terms. Ministers and permanent secretaries are sacked and civil servants called to meetings by announcements over the radio.

When the President is away from Uganda, the station usually broadcasts flat, news agency-prepared material. Interestingly enough, this did not happen during the recent curious interlude of Amin's disappearance. Nor did Radio Uganda play the 1950's American pop songs which often take the place of news while Amin is deciding what he is going to say over the air.

Both for fearful Ugandans anxious to know something of the next turn of events and interested foreigners, the station is bound to go on being a sensitive listening. But tuning in from outside the country is not easy because the Ugandan transmitter is so weak that even high-quality receivers are not always sufficient.

Dayville Supplies was working a pause, "didn't work." Now 24 hours a day to keep up with the demand and the parlours "were making so much money it was almost embarrassing," recalled

Eating up... The Kaye brothers' start in catering sounds far-fetched. But Phillip Kaye insisted yesterday that he and his brother Reginald opened a coffee shop in the West End mainly as somewhere for their father to go in his retirement (all three had been in a family business making women's handbags).

From such beginnings, a company "just grew," eventually becoming the Golden Egg group. They quit in the early seventies, breaking with partner John Bosman, prolific in his defence and support of the tourist trade. Golden Egg was eventually sold to EMI.

Now the Kayes are floating their second public company, dealings in City Hotels Group will start on Thursday. Like Golden Egg, the company is in hotels and restaurants, but it also makes Dayville ice cream in Britain and operates a dozen of the 74 Dayville parlours now open here.

As the City Hotels prospectus solemnly points out, this American-style ice cream differs from the normal U.K. varieties, being made mainly from dairy products, with "more than 200 different flavours of which 32 are available at any one time in each parlour."

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"It was a short cabinet meeting—we were discussing long-term prospects."

15
J.P. [unclear]

Shadow from the Left.

By Robert Mauthner
Paris Correspondent

FRANCE TO-DAY stands on the threshold of a dramatic choice which could fundamentally change the course of its history. At the next general election, due to be held in the early spring of 1978, the voters will have to decide whether to opt for a continuation of the conservative rule of the past 20 years or to take the risk of electing a socialist-Communist government, whose policies are far to the left of any existing Social-Democratic regime in Western Europe.

For once, the old French adage "plus ça change, plus s'est la même chose" will no longer be applicable if the Left comes to power. The Socialist-Communist programme foresees the nationalisation of nine of the country's biggest industrial groups and the whole of the banking and financial sector and the presence of Communist ministers in the government could lead to a radical modification of France's relations with its Western Allies.

The outcome of the election, of course, is not a foregone conclusion, but the Union of the Left must be given more than an even chance of victory. The country has gradually been moving left for some years now and when President Valéry Giscard d'Estaing scraped home by less than 1 per cent of the national vote in the last presidential election in 1974, when he ran against M. François Mitterrand, he was decisively opposed by the municipal elections in March, in which the socialists and Communists won control of more than two-thirds of the country's big towns.

Public opinion polls currently

give the Socialists well over 30 per cent of national support and, judging by their recent performance, the Communists should be able to contribute their usual 20-22 per cent. This would probably be enough to give the Left a Parliamentary majority, even though it is not favoured by the present constituency boundaries.

Reasons

There are several reasons for the political turnaround. Without any doubt, the Left has benefited from the normal swing of the pendulum away from the parties in power and in France, they have been in power ever since General de Gaulle returned to the helm in 1958. It has also reaped the rewards of maintaining a basically united front, in spite of all the intermittent internal squabbles, since 1972, when the Socialists, Communists, and Left-wing Radicals agreed on their common programme.

The new "Eurocommunist" line, adopted by the Communists at their last party congress in 1976, has done much to reassure an electorate which, when it comes to the crunch, has always succumbed to the "Red scare"—that is, until the municipal elections last March. M. Georges Marchais, the Communist leader, has gone out of his way to emphasise that his party no longer accepts orders from Moscow, condemns the Soviet Government's treatment of dissidents, and supports a

policy of complete national independence. Not least, the Union of the Left has been strengthened by the bitter quarrels between the coalition parties and, particularly between President Giscard and the Gaullists which, over the past year, if not longer, have given the country the impression of being ruled by a chronically weak government.

The current fashion is to put most of the blame on President Giscard for this lamentable state of affairs and it is certainly true that he has made a number of major political blunders. Convinced that the French people want to be ruled from the centre—the main thesis of his recent book "Democratie Française"—President Giscard set out from the very start to weaken the Gaullists who were in disarray after the presidential Election of May 1974 in which their own candidate, M. Jacques Chaban-Delmas was decisively knocked out in the first round.

The trouble with these tactics was that the Gaullists still formed the strongest single group in the National Assembly, that President Giscard therefore needed their support to push through his legislation and that the centrist parties were both too numerically weak and congenitally incapable of organising themselves into a single, powerful political party.

Though President Giscard appointed M. Jacques Chirac a Gaullist, as his first Prime Minister and eventually as co-

ordinator of all the coalition partners, he continued to give the various centrist parties free rein to snipe at the Gaullists. This freedom was exploited to the full by M. Michel Poniatowski, President Giscard's long friend and leader of the Independent Republican Party who as Interior Minister with the rank of Minister of State, had more influence within the government than the Prime Minister himself.

Genuine policy differences between M. Giscard d'Estaing and M. Chirac on a whole range of issues, such as the President's social reform measures, his new more NATO-orientated defence policy, capital gains tax legislation and overall political strategy, contributed to the explosive situation within the government.

Outcome

In the end, the inevitable happened. M. Chirac resigned in August 1976, the first time that a Fifth Republic prime minister had gone of his own volition. What is more, he made a bitter public statement after his resignation, complaining that the President had not given him the necessary powers to do his job effectively, while M. Giscard d'Estaing himself revealed that he had vetoed M. Chirac's proposal to bring the next general election forward to the autumn of 1978.

The responsibility for the dramatic break between the two men, which has since de-

veloped into open warfare, was, no doubt, shared. M. Chirac, an immensely ambitious and dynamic man, who clearly sees himself as a future president, had tried to usurp much of the President's political powers and this was something M. Giscard d'Estaing could obviously not accept. On the other hand, M. Chirac, who was, after all, the leader of the country's biggest political party, had to defend its policies and interests, which were being undermined by the President.

The coalition government has never recovered from last year's clash. On the contrary, relations could be said to have deteriorated and, on two occasions, it even looked as if the government of M. Chirac's successor, M. Raymond Barre, a former vice-president of the EEC Commission and an eminent economist, might fall because of the lack of Gaullist support.

The quarrel has been fuelled by such ill-advised moves by President Giscard as his sponsorship of the candidature of a centrist Minister, M. Michel d'Ornano, in the mayoral election in Paris, which the Gaullists have always considered their own particular fief. The manoeuvre completely misfired because it led M. Chirac to run against M. d'Ornano and ended in the overwhelming victory of the Gaullist leader.

Essentially, however, the disagreement between the President and the Gaullists is over

political tactics in the run up to the elections. When M. Giscard d'Estaing appointed M. Barre as Prime Minister in August last year, he made it clear that the Government's first priority was to restore the economic situation (discussed in other articles in this survey), and that he did not want it to become involved in electioneering as long as one year before the election was held.

The Gaullists, on the other hand, have maintained all along that, only by waging a constant, aggressive political campaign and by taking the fight to the Socialists and Communists, could the coalition parties hope to defeat the Left next spring. M. Chirac, who at the end of last year was triumphantly elected president (a newly created post) of a rejuvenated Gaullist Party, which changed its name to Rassemblement Pour la République, considers himself as the leader of the anti-Left political campaign, though this self-appointed role is naturally disputed by the President and M. Barre.

One of the main question-marks now hanging over the political situation is whether the coalition parties can restore at least a semblance of unity quickly enough to make an impact on the electorate.

Until very recently, the prospects for such a reconciliation looked very dim. At the end of April, when M. Barre presented to the National Assembly the second instalment of his plan to restore the economic

situation, consisting mainly of measures to bring down unemployment, the Gaullists gave him a very hard time because of his failure to give a political lead to the country.

Confidence

Though they supported the Government in the vote of confidence for which it had asked, they made it plain that their confidence was confined to M. Barre's economic measures. And President Giscard's special baby, the Bill on direct elections to the European Parliament, was pushed through the National Assembly this month thanks only to an unusual procedural device. This gave the Gaullists, who wanted to postpone the measure, the choice of either accepting immediate ratification or of proposing a censure motion threatening the Government's life.

The fact that they did not use this ultimate deterrent was clearly a sign that they do not want to take their opposition to President Giscard as far as bringing down the Government. And, only a few days ago, M. Chirac emphasised that direct elections to the European Parliament was the last problem on which the Gaullists would take issue with the Government before the General Election.

This leaves a slim hope that the coalition parties will, from now on, start pulling together and make up some of the lost ground. They may be helped

BASIC STATISTICS	
Area	212,742 sq. miles
Population	52.92m. (1976)
GDP	Frs.1,636.3 bn. (1976)
Trade	
Imports	Frs.308.12bn. (1976)
Exports	Frs.273.24bn. (1976)
Imports from U.K.	£1.71bn. (1976)
Exports to U.K.	£2.09bn. (1976)
Currency: Franc	£1=Frs.8.51

in their uphill struggle by a renewed outbreak of squabbling between the Socialists and Communists over the revision of their common programme, in particular those sections dealing with nationalisation.

The outcome of the election will not, legally, affect President Giscard's position as President of the Republic, since his seven-year term of office ends only in 1981. He has already announced that he will complete his term, whatever happens, though M. Chirac has argued that he would be under a moral obligation to resign if a parliamentary majority hostile to his own political ideas is elected.

Curiously, the French constitution does not properly provide for a president and government of different political hues and the only possible result of such a situation is a complete stalemate. The President has the right to dissolve the National Assembly, but has to wait for one year after a general election. He is clearly hoping that the Socialists and Communists will quarrel so much among themselves that their Government would fall by its own hand long before the year is out. This might enable him to realise his dream of forming a centre-left coalition, including the Socialists and the Centrist parties, but excluding the Communists and the Gaullists.

All this, however, is no more than speculation, since M. Giscard d'Estaing himself is playing his cards very close to his chest. What is certain is that France is about to enter one of the most difficult and tense periods the country has known since the Algerian War crisis and make up some of the lost ground. They may be helped

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FRANCE II

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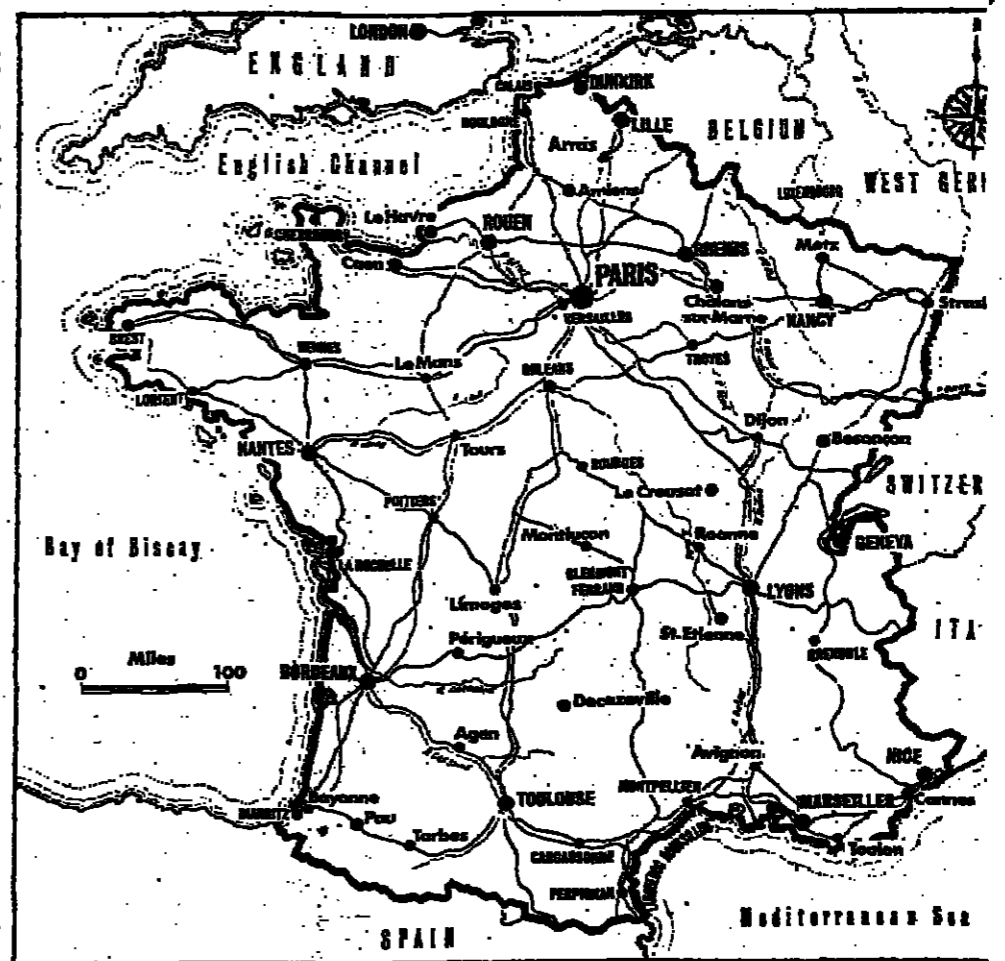
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 - Turnover in 1976: 1,100 million FF
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A favourable economic performance in the coming months is central to the Government's chances of re-election next spring - but the outlook is not hopeful, with pessimistic indications on the investment, production and other fronts.

The economy



THE PERFORMANCE of the French economy over the next eight or nine months will be of more than usual importance. President Giscard d'Estaing and his Prime Minister, M. Raymond Barre, believe that the economy holds the key to the next general election and have virtually staked their political future on it. They are convinced that if the Government's present strategy produces a noticeable improvement in the economic situation, the ruling coalition still has a good chance of winning the election. If, on the other hand, the economic situation deteriorates further, the Union of the Left is likely to win the election.

Assuming that they are right—and no one can deny the big role that economic factors play in any general election—the Government's prospects do not seem very bright. It has concentrated on fighting inflation, balancing the trade account and stabilising the exchange rate of the franc by the application of tight monetary and credit policies and prices and incomes restraint, in the hope that a resumption of world economic activity would keep the French economy ticking over at a reasonable rate and prevent unemployment from rising too sharply.

The gamble does not look like coming off, for the latest OECD forecasts are, to say the least, pessimistic. Even the strongest economies—those of the U.S., West Germany and Japan—are now likely to expand this year at a rate below the OECD Secretary's medium-term average growth target of 5.5 per cent for the period 1975 to 1980 and France itself has been obliged to scale down its growth expectations from 4.6 to 3.5 per cent.

What this means in practice is that industrial production and capital investments will probably remain sluggish during the coming months. As a consequence, not enough jobs will be created to absorb the very high number of unemployed, which rose in May to a new post-war record of nearly 1.1m. Inlet alone the hundreds of thousands of school-leavers due to come onto the labour market in the autumn. Unemployment has now become the most sensitive economic and political issue and could alone break the Government at the next general election.

made M. Barre so confident that inflation could be brought down to somewhere in the region of 6.5 per cent this year from nearly 10 per cent in 1976.

Probably, the French Government placed too much confidence in wage curbs as an anti-inflationary tool, though it can hardly be blamed for wanting to bring down the rise in hourly wages from its astronomical 15 per cent level last year, the highest rate of increase in any Western industrialised country. The fact is, however, that although wages have been falling quite substantially this year—hourly rates were held down to 2.3 per cent in the first quarter, compared with 4 per cent during the same period last year and 2.9 per cent in the fourth quarter—inflation is still accelerating. And the prospect of a further rise in oil and food prices does not augur well for the future.

What is more, the first Barre Plan has increased the trade unions which, in April and May, staged two of the biggest national strikes since the student-worker uprising in May 1968 in protest against the virtual suspension of free collective bargaining and the high level of unemployment.

Though refusing adamantly to change the course of French economic policy in mid-stream, the Prime Minister has tried to deal with some of the more nefarious social consequences of last September's anti-inflationary package in what has become known as the second Barre Plan, adopted at the end of April.

Measures to stimulate employment are the centre-piece of the latest plan, which will cost the state and the social security system nearly Frs.4bn. (about £480m.). Employers who offer workers under the age of 25 their first jobs have been exempted from social security payments until July 1 this year, and the state has undertaken to recruit 20,000 new employees in key sectors such as the post office and telecommunications within the next year. Immigrant workers, of which there are currently some 2m. in France, have been offered special grants of Frs.10,000 as an incentive to return home and an early retirement scheme, allowing workers to retire at 60 with about 70 to 80 per cent of their wages, has been negotiated with the trade unions.

In addition, Frs.1.25bn. in supplementary credits were made available by the Govern-

ment for investments in public works which, added to last October's Frs.11bn. stimulus in the form of a large loan to finance the investments of small and medium-sized businesses, subsidised interest rates for export and energy-saving investments and more favourable depreciation allowances, should normally do something to boost investment and employment later this year.

The trouble is that the business climate is so pessimistic at the moment, both because of the fears of a left-wing victory next spring and lower growth expectations, that companies are loath to embark on new investments and the creation of new jobs, whatever the incentives.

Even the National Accounts Commission, which published its revised forecast earlier this month, foresees a total expansion of investment of no more than 0.7 per cent this year. Though public investment is expected to grow by 3 per cent, private industrial investment will probably grow by only 1.4 per cent, while household in-

vestment is expected to drop by 2 per cent.

As the OECD Secretariat noted in its annual economic survey of France earlier this year, the Seventh Plan target of a growth of productive investment of 7.5 per cent in volume terms over the period from 1975 to 1980 is now completely out of reach. It would imply for the rest of the period a rate of growth never achieved before.

Improvements

All this does not mean that the Barre Plan has failed to produce any results. The rate of inflation, unacceptably high by French standards as it still is, is clearly much lower than it would have been if stringent measures had not been taken last autumn. And there is one field—trade—where it has already scored a notable success, though this is due at least as much to the fall in imports produced by sluggish demand for foreign goods, as an increase in exports and the stabilisation of the franc.

The monthly trade which, in November last reached an all-time record of Frs.3.5bn., seasonally adjusted, has fallen sharply since then. In May, for example, it was only Frs.441m. in May, bringing a total shortfall over the six months of this year to Frs.6bn., compared with a deficit for the whole of 1976 of more than Frs.20bn.

M. Barre's target of balancing the trade accounts this year therefore within reach, will probably be the only one together with the stabilisation of the franc, which is at

If the franc has held this year at slightly less than 5 to the U.S. dollar, after a fall of about 10 per cent in the first half of 1977, it is largely due to M. Barre's policies. The trade deficit strengthened in the first half of 1977, but the trade deficit strengthened international confidence in the French economy, while higher interest rates attracted funds and prevented a flight of capital from the country. Heavy borrowings in foreign currencies of state agencies finance the trade deficit also instrumental in stabilising the exchange rate of the franc.

What will happen when the election draws nearer is problematical. It is possible that the prospect of a left-wing victory at the end of the year could produce a run of franc at the end of the year, despite the reasonably stable state of the economy.

Indeed, the short-term outlook has now become much more important in the economy than the Government's economic measures put together. Trial production and investment is unlikely to pick up until after the election, and perhaps not even then. The Left comes to power, clamps down on the privatisation, in such an event, much depend on the capacity of Socialists to persuade Communist partners that market economy can be transformed into a fully-socialist economic system without wrecking the country's hard-won progress.

Central to the French system, the Grand Corps are under continual pressure to grow more egalitarian - but so deeply entrenched are they that real change looks unlikely in the near future.

Les Grand Corps

ONE OF THE many factors pushing the French electorate leftwards could be its growing resentment at the system of the Grand Corps that perpetuates so much power in the hands of a highly educated few. The French have become less ready to accept this rule by technocrats. They want more participation.

The Government has this year responded by introducing a scheme to broaden socially the method of entry to the Grand Ecoles that nourish the system. But this will hardly solve the real problem, which is less the Corps' social elitism than their power elitism. The Left has vaguely stated plans for more thorough reform, but many Socialists are members of the Corps. A Left Government might still need to rely as much as the present one on a structure that is a crucial source of strength to the State. That is the dilemma.

The complex French elitist system rests on two pillars. One is the Grandes Ecoles, mostly undergraduate engineering colleges of which by far the most influential is the Polytechnique. This is the route into the grander Corps techniques, such as mines and Ponts-et-Chaussées, whose members by an unwritten process of co-optation virtually control many State technical departments and industries and spill over into top posts in private industry.

The other is the post-graduate Ecole Nationale d'Administration (ENA), a post-war creation that provides a near-monopoly of recruits for the Corps administratifs, which cover not only the diplomatic and prefectural careers and, more important,

those three power strongholds, Inspection des Finances, Conseil d'Etat, and Cour des Comptes. These exclusive "clubs" have some resemblance to All Souls' at Oxford, but are far closer to the rare bird, polytechnicien, and enarque and inspecteur des Finances, marks the apogee of the consolidation of power by this mandarin.

The system, often viewed with envy by Whitehall, undoubtedly has great value for France. First, the high prestige of these colleges and Corps, and the privileged careers they guarantee, mean that a high percentage of France's ablest young minds are attracted into public service, with advantages for the economy. Second, Corps such as the Inspection des Finances provide the State with a flexible reserve of top talent. A brilliant man can go out on secondment from his Corps to serve the State in a variety of posts, while his salaried "life membership" of his "club" offers him total security.

Network

Thirdly, the diaspora of polytechniciens and inspecteurs in particular, with their "old boy" solidarities, into so many key posts in private and public industry, banks, Ministries and so on does mean that effective liaison between the worlds of government, finance and industry tends to be closer than in Britain. Old boy networks at this top level can often overcome the notorious barriers in French public life, even those between Right and Left. During a labour crisis in 1973 Michel Rocard, the leading Socialist inspector, was able usefully to

mediate behind the scenes with his chum Jean-René Bernard, an inspector, on Pompidou's staff.

ENA has succeeded superbly in the role allotted to it—to train, within a certain conformist mould, a clever administrator able to tackle a variety of problems with dazzling results.

Continued on next page
Robert Mann

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FRANCE III

As in so many other areas of French life, independence is of paramount importance in industry. While the French recognise the need for foreign technology, they like to have it on their own terms.

Industrial policy

It is a fundamental truth for politicians of all persuasions in France that the country must remain independent and in full possession of national sovereignty. It is little matter at both things are hard to come by: it is usually fairly plain to a Frenchman when they are being attacked.

The maintenance of a substantial military establishment including a nuclear arsenal is part of the maintenance of independence. The dislike of a world polarised between opposite political viewpoints is another reason why France wishes to retain an identity outside either camp.

A further aspect is the commitment to create an industrial and commercial base which will establish France as a competitive force in world economic affairs, able not merely to compete on world markets to help pay for energy imports in particular but also to defend the home market.

It is this question which is the subject of this article. It is particularly interesting because France is the European country of all most sensitive to the threat of American commercial and political domination—partly because of its consciousness of a distinctly French culture separate from the Anglo-Saxon-Germanic culture which links northern Europe or closely to the U.S. Yet at the same time France is acutely aware that its own development in some vital areas depends on access to American technology. How the technology is acquired and "franchised," whether in reality or in fiction (both cases exist) is a fascinating study in itself.

In addition, there is a continuing attempt to consolidate French industry into larger units to facilitate growth and accelerate competitiveness, and a consistent policy of gearing important public investment programmes to a single company group of companies which, with State help and persuasion, acquire the means to fulfil their role. A classic example of this is the construction of a telecommunications programme around Thomson-CSF discussed elsewhere in this survey. The nationalisation of the nuclear contracting business around Framatome-Creusot-Loire falls to the same pattern. Both these cases involved the acquisition of U.S. technology while the attempt to consolidate, for example, the machine tool

industry is a purely French endeavour.

It is probably fruitless to debate whether France's attitude to co-operation is genuinely European or distinctly Atlanticist. Examples of both can be cited. The best generalisation is to remark that France wants to acquire the most advanced technology and is also influenced by questions of access to foreign markets. Thus when the U.S. offers both the most consistent technology and the essential market, as in computers, it is the American option which scores. But it is equally important to the French Government, partly because of the traditions of Gaullism and partly because of the existence of large Left-wing parties, that ownership of the technology should be at least in legal terms French.

It is easier to express French ideas as illustrated in concrete cases rather than as a pure philosophy. The case of Poelain is both recent and appropriate.

Leader

Poelain is the world's largest producer of hydraulic excavators. Under the guidance of the Bataille family it developed throughout the later 1950s and early 70s into one of the few French concerns of genuine world stature in its field. But it was an expansion fuelled by loans, and the increasing burden of service charges demanded a consistently high rate of sales and cash flow expansion.

Leaving aside the details of Poelain's financial situation, suffice it to say that it was clearly recognised by early last year that Poelain needed a rescuer who would bring capital into the company without compromising its French character. The company itself thought that the best solution was to seek an American partner in the public works field. It pointed out that no other French group had the expertise needed or could offer the marketing skills and outlets an American company could provide.

The Government was unhappy with this prospect, and began a game of "pass-the-parcel" with France's leading engineering companies to find someone to link with Poelain. Renault, the State-owned motor company, had already burned its fingers once in Poelain's market sector and declined the honour. Perodo, a motor components group, did the same despite joint venture links with Poelain.

The private sector motor

group Peugeot also counted itself out of the action, while Volvo, which had marketing arrangements with Poelain, was also canvassed.

In the event the successful suitor turned out to be American in the form of J. I. Case, the farm and public works equipment manufacturer. It planned a Frs.325m. capital injection into Poelain by way of subscribing to new shares and purchasing certain overseas operations. Case would thus acquire 40 per cent. of Poelain's capital.

This arrangement had to be ratified by the French Government, and when the final approval came it was with differences which were small in practice but indicative of French concern to guarantee the national character of Poelain. Case got his 40 per cent., but Renault, Peugeot, Citroën and Volvo were all brought in as holders of 2 per cent. each of the equity—holdings described as "visiting cards." Similarly, certain institutional investors and creditors banks also took a 12.1 stake, leaving the Bataille family with 15.9 per cent. of the shares and the remainder in public hands.

The effect of this readjustment was to guarantee that French concerns and the Bataille family together disposed of a blocking minority of the shares discounting the shares distributed among the public. The company was in practice anchored in France, remaining French in identity but offering the opportunity of exploiting Case's expertise in American markets.

Poelain is a case involving a large, prestigious concern and American participation in the capital. Machine tools offers a different viewpoint since this sector is dominated by small concerns and France is one of the few important industrial countries which is a net importer of machine tools.

Here the initiative is being taken by the Institute for Industrial Development (IDI), a French equivalent of the Industrial Reorganisation Corporation, in which the State holds the biggest chunk of the capital but less than a majority. IDI exists to provide capital and management support to small and medium sized concerns, by means of taking a temporary shareholding, the criterion being that the companies must offer the prospect of being commercially successful (IDI, for example, steadfastly withstood pressure to bail

out the Lip watch-making concern).

The outlines of the changes in the industry are still imprecise but it appears that the initial stage is to consolidate it around three companies. Renault's machine tool subsidiary will provide one of the focal points another around the result of a merger of two specialist and strongly exporting concerns Berthie and Pro-mecam Sisson Lehmann and the third around a joint venture with IDI taking the leading part in the establishment of a financial company to take stakes in foreign companies to provide outlets for the French industry and eventually to finance overseas assembly work.

The case of chemical fertilisers is similar. France with its large farming community, is the world's third largest market for fertilisers but is heavily supplied by foreign companies. The aim is to polarise the industry around one large state-owned group composed of two existing nationalised concerns and by creating a second large group based on private sector interests which are controlled by some of the heaviest names in French industry including the metals group PUK, the chemicals group Rhone-Poulenc and the oil concern CFP.

Nuclear contracting and heavy engineering are dealt with separately in this survey. The merger of Alstom with Chantiers de l'Atlantique, the transfer to the merged company of the electrical activities of Compagnie Electro-Mecanique, and the very substantial redrawing of boundaries between Alstom Atlantique and Creusot-Loire in the interests of creating a dignified sectorial groupings and powerful contractors in the power engineering field, illustrate the large-scale re-organisation the French are willing to embark on in the interests of rationalisation, particularly when the priority is to generate the capacity and the technology to undertake substantial public investment programmes.

Intervention

These moves also illustrate the degree of intervention undertaken by a government professing liberal credentials. Although the point can be made too heavily, the commonality of background, particularly through training at one of France's great administrative or technical *grandes écoles*, between senior industrial management and senior civil servants, and the ability of top civil servants to move into positions of industrial leadership and back into the ministerial cabinet, certainly contribute to easing the paths of industrial re-organisation. One should also add that the idea of national interest is, on the whole, one acknowledged by the industrial sector, and this also helps to make work the system of dirigisme which is associated with France.

These policies are now being put to the test in the wake of the recession, which has left a trail of victims across France. Aerospace has just received its re-organisation plan and the timber and paper industry, which has a balance of payments deficit second only to energy, is due for restructuring to tackle its financial problems. Textiles and shipbuilding are also on the gravely ill list, while the motor component and computer peripherals fields are also the scene of attempts to build a stronger base.

Perhaps because of the important State role in industrial re-organisation and also because of the relative unimportance of equity financing in France it is interesting to note that most marriages are arranged. The take-over bid is rare and when it happens it is normally regarded as distinctly ungentlemanly. This is particularly so when the bidder is a foreign concern. It is also worth remembering that the very extensive French public sector is a useful base for officially sponsored re-organisation.

In almost every conversation with a manager and invariably in company reports the phrase "les pouvoirs publics" recurs—the public authority or, more simply, the Government. It is the public authority which, during the Gaullist era, on the basis of a general consensus in industry, sponsored the transformation of the French economy. Whether there would be such a consensus for the radically different concepts of the Socialist-Communist alliance may be put to the test after next spring.

John Ardagh

David Curry

Grand Corps

CONTINUED FROM PREVIOUS PAGE

arity and speed. The average varque is noticeably more articulate, confident and enthusiastic than his British counterpart. So the issue is not whether ENA is doing its job well, but whether that job is right one for French society today. Here there are two main criticisms.

The first is that entry to ENA, to a lesser extent to the *lycée technique*, is too narrowly bourgeois. The second, and more serious, is that the whole system creates a dangerous gulf between these elites and the lower ranks of the public services promotion above a certain level (barred if you lack the right *diplomas*) and between the *haut* technocrats and the *bas*. An *énarque* goes straight into a privileged desk job and has little contact with the people. This may be a factor behind the citizen's ironic sense of grievance against the State and the alienation felt by workers and others, and may help to explain the rise of the Left.

Criticism of the system has been mounting, even within its own ranks—with alumni writing books such as *La Mafia polytechnicienne*. Simon Nora, a distinguished inspector, told me: "Our elite system was a great asset until a few years ago—that is, in the post-war decades when our politics were unstable and France was rapidly industrialising. The technocrats then were a dedicated clergy, the secular priests of progress, pulling France forward with autocratic zeal. But that phase is over. Today France is largely modernised, and what is needed is something else, the emergence of a more open and egalitarian society where ordinary people can participate more. The system is an obstacle to that."

But how far is the system a barrier to change? In the case of both ENA and the *lycée technique*, entry and pass-

out exams are fair and there is no nepotism. On the other hand competition for entry is so stiff that only those with the right specialised schooling and cultural background are likely to succeed. It is a background that workers' sons rarely possess.

For the better. *Grandes Ecoles*, the *supérieures* classes is via post-baccalaureat classes in the more brilliant Paris lycées, and for ENA it is via "Sciences-Po." For a variety of traditionalist reasons, the Paris bourgeoisie have easiest access to these. True, Polytechnique recruits also from the provinces, and about a third of ENA's places are reserved for late-entrants already in the civil service. But these too tend to be middle-class.

Examination

The Government is now trying to widen the social range of entry to the *Grandes Ecoles* by bringing in an alternative examination—to start next October—geared to the abilities of those in "technical" rather than academic lycées. Ways are being studied of similarly widening the system of entry to ENA so as to make it easier for those whose talents are less academic.

But there are good arguments against what many people see as a pre-election gimmick. The new scheme might succeed in bringing into the system a few more children of workers, peasants and provincial petit-bourgeois—but it will not change the system itself. The new lucky ones will simply be absorbed into elitist structures that will presumably retain all their old power and privileges. The greatest need, it is widely felt, is not so much to democratise entry as to modify the system itself, to bridge the gulf between it and the nation at large. One solution canvassed is to integrate ENA and the *Ecoles* into the general university structure. Alternatively, and preferably, the de facto monopoly of the Corps over

senior public posts should be broken.

At present, *corpsards* go forth to colonise banks and private companies, but the reverse current hardly exists at all. It is very rare for a brilliant business manager, industrialist, lawyer or university professor to be co-opted into State service (except by entering party politics) in the way it so often happens in the U.S. or even Britain. Raymond Barre, the professor who was invited into State posts and has since risen to be Premier, is the exception that proves the rule. But normally the closed-shop of the Corps debars newcomers without the right pedigree. To change this would require bold Presidential action; but Giscard d'Estaing being both a legatee of the system and a believer in it, is unlikely to take the risk.

So would the Left do any better? Already they are part of the system. The Communists are strong in the "technical" Corps, where at least 100 *polytechniciens* are said to support the Party. In the "administrative" Corps they are frequently screened away. Yet even the *inspecteurs* are said to include some half-a-dozen Communists, as well as 60 to 70 Socialists, among their 300 members. Many of Mitterrand's closest advisers are Corps members, and there are plenty of talented Socialists sitting quietly inside bodies such as the *Conseil d'Etat*, forming a virtual "shadow" administration ready to take active office when called.

So the Left would not throw the system overboard. They would hardly need its strength and stability, and first would re-staff with their own men. But they might also assault the closed shops by bringing trades unionists, academics or other non-*corpsards* into key technical or Cabinet Ministerial posts. That at least could be a positive step towards bridging the notorious French "gulf."

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FRANCE IV

Despite some outcry at home and abroad, President Giscard d'Estaing has developed and pursued his own brand of foreign policy. It is one which, given the changed circumstances within the country and outside, evidences a more mature and pragmatic attitude to world affairs.

While there is still scope for improvement, French farmers owe much of their success so far to the CAP

Foreign policy

WHEN PRESIDENT Giscard d'Estaing was Finance Minister in the French Government, he had the reputation of being a master of economic "fine-tuning." To some extent, he has applied a similar technique to the conduct of foreign policy which, since his election to the Presidency three years ago, has become much more pragmatic than it was under his two predecessors, General de Gaulle and M. Pompidou.

As a result, he has been accused by the Gaullists of partially abandoning the hallowed principles of national independence and sovereignty, by the French Communists and Socialists, as well as by the Soviet Union, of attempting to take France back into NATO and by the Americans, at one stage, of pursuing a typically Gaullist nuclear policy.

The President's critics argue that he has fallen between stools. Since no foreign policy that has ever been designed can please everyone, it is better to base it on a number of well-defined principles which will be defended at all costs, even at the risk of offending some of one's closest allies. That was the way that General de Gaulle and, to a somewhat lesser extent, President Pompidou, conducted foreign policy and, at the time, it satisfied the famous French sense of logic and national amour propre.

If France, under President Giscard, has adopted a more flexible view of the country's role in world affairs—though by no means as radically different as some of the President's detractors at home sometimes claim—this is a reflection not only of M. Giscard d'Estaing's own personality, but of generally more mature national attitudes.

When General de Gaulle came to power, he took over the management of a seriously demoralised country. The self-confidence of the French people had been

undermined by years of political instability, endemic economic crises and colonial wars. A fiercely independent, chauvinistic foreign policy, boosted by national pride and was undoubtedly instrumental in restoring the country's shattered morale. It also served to pave the way for East-West détente at a time when the U.S. was much less prepared than to-day to talk to the Soviet Union.

M. Giscard d'Estaing, however, became President of France in very different national and international circumstances. After more than a decade of economic prosperity, the French people were less in need of nationalistic fireworks to prove to themselves and the world that they were as good as, if not better than others. East-West détente was a going concern and the spectre of U.S. domination of Europe and the world, conjured up regularly by General de Gaulle and his successor, had lost some of its credibility in the light of the U.S. withdrawal from Vietnam and the self-questioning and self-critical mood of America after the Watergate scandal.

With Washington prepared to adopt a constructive attitude towards Europe, President Giscard set himself, as one of his first foreign policy tasks, the improvement of France's relations with the U.S.

It was inevitable that such a policy, together with the adoption of a new defence strategy, forseeing French military involvement in the event of a conflict on West Germany's eastern borders and closer technical co-operation between France and Nato, should arouse the suspicions of the Soviet Union. But, on the whole, President Giscard has been moderately successful in his delicate balancing act.

Although Franco-Soviet relations are certainly not as close as they once were and have had

their difficult moments over the past three years, Moscow still appears to attach considerable importance to the French connection. By constantly stressing France's support for détente, by refusing to envisage France's reintegration in NATO's military organisation, by adopting a low-key official stance on the problem of human rights in the Soviet Union and by his interest in developing Franco-Soviet trade and economic relations, President Giscard has retained some of Moscow's good will.

The other main planks of President Giscard's policy have been European unification and relations with the developing world, particularly Africa, both areas in which he has taken a number of major initiatives, with mixed results.

Strong

M. Giscard d'Estaing's European commitment has always been a strong one, and it is probable that he came to the Presidency with an over-optimistic view of what could be achieved, given the lukewarm attitude towards European integration of some other member countries, such as Britain, and Gaullist opposition to any moves which could undermine national sovereignty.

To claim, however, as some of his Gaullist critics have done, that he is at heart a European federalist who is prepared to sign France's independence away to supranational institutions is very wide of the mark. One has only to look at the kind of proposals that have been made by France over the past three years to further European unification to realise that President Giscard's ideas are just as "confederal" as those of his predecessors.

It was the French President who suggested the creation of the European Council of Heads of Government to simplify and

speed up the decision-making machinery of the European Communities, a move which was regarded by integrationists as retrograde because it undermined the principle of unanimity of all major policy decisions and the power of individual Governments to exercise their veto.

Moreover, President Giscard's abortive proposal to set up a European Directorate of the major EEC countries, which provoked the fury of the smaller members and was finally scuttled by West German opposition, would have delighted even General de Gaulle, who first thought of such a scheme.

Yet for all that, the French President has remained realistically "European" and even took the risk of triggering off a serious Government crisis in pushing through the National Assembly his particular baby—the project for direct elections to the European Parliament.

M. Giscard d'Estaing's early initiatives in the European field were complemented by moves to improve the relations of not only France but the whole industrialised world with developing countries. The North-South dialogue, though originally a Saudi Arabian idea, was put on the rails by the French Government and, in spite of its disappointing outcome, has undoubtedly helped to enhance France's prestige in the Third World.

In particular, France has retained the goodwill of the Arab countries as a whole by its constant emphasis on a solution of the Middle East crisis which would provide for a withdrawal of Israeli troops from occupied territories and the creation of a homeland for the Palestinian people. President Giscard may have over-reached himself when he offered to send a French peace-keeping force to Lebanon last year but, in general, his Middle East policies have been confined within realistic limits.

The Arab countries, at least, would not be averse to seeing France playing some kind of mediating role if the Geneva peace conference is ever convened.

The main obstacle to such a role is the fragile state of Franco-Israeli relations, which, though they have lately undergone some improvement, are still far from satisfactory and are unlikely to become much closer as long as the French adopt what the Israelis consider to be a frankly pro-Arab stance. The results of French policy towards Africa have been much

more chequered and, until very recently, President Giscard's touch in this region has been less sure. While condemning the South African Government's policy of apartheid, France has continued to export nuclear and military equipment to South Africa and has been strongly criticised on this count by the Third World.

France was the first Western country to recognise the new regime in Angola but, in doing so, aroused the suspicions of French-speaking African countries, who felt that the umbilical cord which still ties them to the former mother country was being cut.

It was partly in response to the complaints of countries like Senegal and the Ivory Coast that France was abandoning its traditional role in Africa, and partly to prove to a Left-wing French electorate that France could still play a major role in world affairs that President Giscard decided to help Zaïre in its fight against the invaders of its southern province.

This move, together with France's refusal to bow to U.S. demands that it should cancel existing contracts for the supply of nuclear equipment which could be used to manufacture atomic bombs to non-nuclear developing countries, was interpreted by some as indicating that President Giscard was reverting to a "Gaullist" foreign policy.

It is a convenient catchphrase, but a gross oversimplification. Certainly, there are elements in President Giscard's foreign policy, such as the traditional French concern with national independence and the desire to play a world role, which can justifiably be described as Gaullist. It is also true that, when domestic political pressures become great, his Government will tend to blow up these aspects of its foreign policy.

Generally speaking, however, President Giscard has been tailored to take account of France's status as a medium-sized nation with limited power. President Giscard clearly believes that, except in very exceptional circumstances, the best interests of the country are not served by "conflict" policies as beloved of General de Gaulle and that reasonable foreign policy objectives can usually be attained by conciliation and patient negotiations.

R.M.

The mixture on a roughly two-to-one basis of State and private institutions in the banking sector has worked well. But the future is clouded by the threat of total nationalisation to which the Left is committed as soon as it comes to power.

WITH THE next general election now only nine months away, the spectre of nationalisation looms large over the French banking and financial sector, due to be taken over entirely by the State if the Union of the Left comes to power.

Though three of the country's largest banks—Crédit Lyonnais, Banque Nationale de Paris and Société Générale—were nationalised as long ago as 1945, some 30 to 35 per cent of the banking sector still remains in private hands. This mixed system has worked well in practice.

Exposed to the fierce competition of such powerful private banking organisations as Crédit Commercial de France, Paribas and the Suez group, the nationalised banks have been obliged to operate efficiently, dynamically and, even more important, profitably. The nationalised banks, it is true, receive preferential treatment in State and public authority financing operations. They do not have to pay any dividends to the State and they are allowed to channel a substantial proportion of their profits into reserves.

On the other hand, the State has never subscribed to an increase in the nationalised banks' capital and they have been saddled with a growing financial burden in the form of the dividends which they have to pay to their employees under new participation schemes. As a result of their size and their social obligations as nationalised institutions, their overheads and particularly their wage bills are much greater than those of the private banks and it all has to come out of own resources.

No doubt, the argument over

the fairness of the mixed system will never be resolved, but it is significant that the private banks, judging by their financial results and their rapid expansion in recent years, have not suffered under it.

Predictably, therefore, the prospect of nationalisation has raised an outcry among private bankers, like M. Jean-Maxime Lévesque, Chairman of the Crédit Commercial de France, who was once a top civil servant. Such a measure, affecting some 200 French banks, would be tantamount to bringing the entire credit sector and thus the economy under Government control, and would lead to a rapid decline in bank services and discrimination between clients, inefficient management and a sharp drop in profitability, he claimed recently. Moreover, the fact that 150 foreign banks with offices in France, would escape nationalisation demonstrated the incoherence of the Left's economic and financial chaos has already led the Socialists, if not their Communist partners, to pour a little water into their wine. The Communists want to "indemnify" shareholders of banks, as of other companies, on their nationalisation list by issuing them with non-voting bonds to be redeemed in 20 years at a price based on the depressed stock market price over the three years before nationalisation.

The Socialists, on the other hand, have proposed that these bonds should be freely tradable on the Bourse and should have their value fixed like any other stock market share. They would still be non-voting, however, and the effect of the proposal would therefore be to give the Government control of the banks while preserving the financial interests of their shareholders.

Meanwhile, even the private enterprise system has not been free of constraints imposed by the authorities. Monetary and credit policy, which in 1975 was geared to refuelling the economy, became progressively more restrictive throughout 1976, as the Government was obliged, first of all, to take action to defend the franc and, subsequently, to adopt measures to fight inflation and restore the country's trade balance.

posed would therefore be to give

and are currently below 9 per cent, a development which will relieve some of the financial pressure on the banks.

At the same time, the Government tightened controls of credit expansion in an attempt to bring down the rate of inflation. This year a growth limit of 5 per cent has been imposed on the eight biggest banks whose outstanding loans exceeded Frs.6.5bn. (about £760m.) at the end of June 1976. In addition, these banks have been required since October last year to deposit supplementary reserves with the Bank of France amounting to 0.5 per cent of the credits subject to growth norms.

These figures are perhaps somewhat misleading, because they do not take into account the fact that credit subject to higher growth norms or completely unrestricted, such as medium-term export credits, loans to finance energy-saving investments and credits to finance export-promoting investments, represent as much as 20 per cent of total domestic lending.

The banks were also able to draw last year on reserves of credit not distributed in 1975. Thus, in 1976, when the growth norms for regulated credit were no more than 4.5 to 8 per cent, the credits actually distributed by banks grew by 14.8 per cent, only slightly less than in 1975, a year of fast economic expansion and comparatively easy credit policies.

In other words, the system of

THE MISCONCEPTION that French farming consists of an elderly peasant milking a couple of cows on a mountainside in the Massif Centrale of the Dordogne dies hard. Politicians of all shades in this country and the National Farmers Union refer to it all the time, adding in parenthesis that by reason of their superior efficiency British farmers should have no fear of competing with such an industry. Critics of the EEC Common Agricultural Policy (CAP) claim that it is no more than a dole for the unfortunate, who should be assisted not by agricultural funds but by the social services.

They could not be more wrong. The backward and peasant areas do still exist in France—as do the crofts in the Highlands of Scotland. But their social and agricultural importance is fast declining. It is true that in 1973, the latest statistics available, some 88 per cent of all French dairy farmers had fewer than 9 cows. But if all these were removed by some magic of the CAP, it would only mean the loss of 21 per cent of the cows. The remainder would still be there, and there is plenty of scope for the replacement of the missing milk by the increasing efficiency of French dairy farming.

This is best illustrated by the fact that total dairy cow numbers have only increased by 5 per cent, between 1960 and 1975 while milk production increased by 40 per cent and delivery to dairies by about 100 per cent. The disparity between these last two figures means that the traditional home production of butter, cheese, and feeding veal calves on cow's milk, has given way to factory manufacture of dairy products and the use of artificial calf feeds based on oil seeds and subsidised skimmed milk powder.

The yield per cow is still low but this is not necessarily the result of sheer bad management. Until recently the main French dairy cow was the Norman, an efficient milk producer, but with beef characteristics. Beef and veal calf production was almost as important as selling milk, and dairy farming was certainly not up to the best Dutch and British standards. Another important point is that historically French cereal prices were kept at a much higher level than those in the traditionally free trading countries like Britain and the Netherlands before the formation of the Common Market. French use of compound feeds

At the end of the last war cereal growing was not much better off. There were a few areas, particularly in the Paris basin, where very good arable farming existed, but it was still in the horse and bullock stage of mechanisation. Now this is all changed. French arable farming is on average as good as anywhere in Europe, and better than most. This is for two reasons. France has a large area of good arable land and a very good climate. The high grain to straw ratio under the Common Market regime have given farmers confidence to invest as much as they can in the production of very good crops.

Since 1950 grain production has risen from 11m. tonnes to just under 40m. to-day, and it is probable that the production of cereals will eventually approach the declared target of 50m. tonnes before many years are out. The main arable areas are generally hedged, and it has been interesting to watch the spread of arable farming southwards into the predominantly stock raising areas with the consequent removal of hedges, leaving only those areas too humid for grazing to remain in grass.

Arable farms are larger than most of the stock holdings, but there has been little in the way of empire building on the scale once popular in Britain. French

law sees to it that no one accumulates more than a certain amount of land, or for that matter, increases intensive the way that has been in the U.K.

One of the defects of Continental farming is the disruptive character of the Code Napoléon which forced the fragmented holdings among survivors of a family on the death. This operates the sibsins of the arable families seem content out their portion of the family member maims a farmer.

This means that generations some had a large but separate landhold, and can be bought subject to tenancy other investment efficient system, and pity that the same had not happened here. Government attitudes are very different in a number of other countries.

The French favours the family political and social reality is not a blanket Farms have to be present day prices, and the French agriculture of E2bn, equivalent is to this end. Since enormous numbers of farmers have been off, or some into industry have been restructure rid of the effects of it.

Very large amount been invested and ten rates for farm improvement, co-operative ing and purchasing are good climate. The high grain to straw ratio under the Common Market regime have given farmers confidence to invest as much as they can in the production of very good crops.

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John Cherr
Agriculture Correspondent

Banking

and credit policies. With few exceptions, they have their profits substantially year and the Credit

which, only two previously, suffered a loss of Frs.135m., achieved a remarkable turning this year's profit of Frs.287m. The same can hardly be said of the Paris Bourse, which had one of the blackest of its history, and performance in 1976 was less than that of any other stock exchange. In the general Bourse index by 17 per cent, and were down by 21 per cent French shares and 14.5 for French and foreign together. Even taking consideration the relative bond sector, where increased by 5 per cent overall decline in Bourse actions was 5.4 per cent.

In the present state of the stock bonds have become more attractive particularly the latest government issue per cent, which not on substantial fiscal advantages, but has been indexed to a basket of currencies.

When all is said and done, however, it is the inflation which has proven the main reason for the of the Bourse. The price of a Left-wing victory and the implementation of sweeping Socialist-Co nationalisation programme which embraces the nine leading industries as well as the sector, has been deterrent to investment in the private industry.

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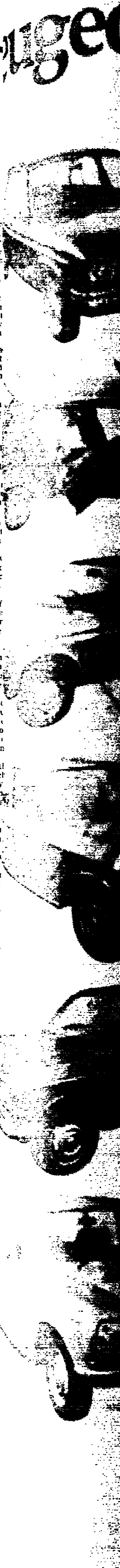
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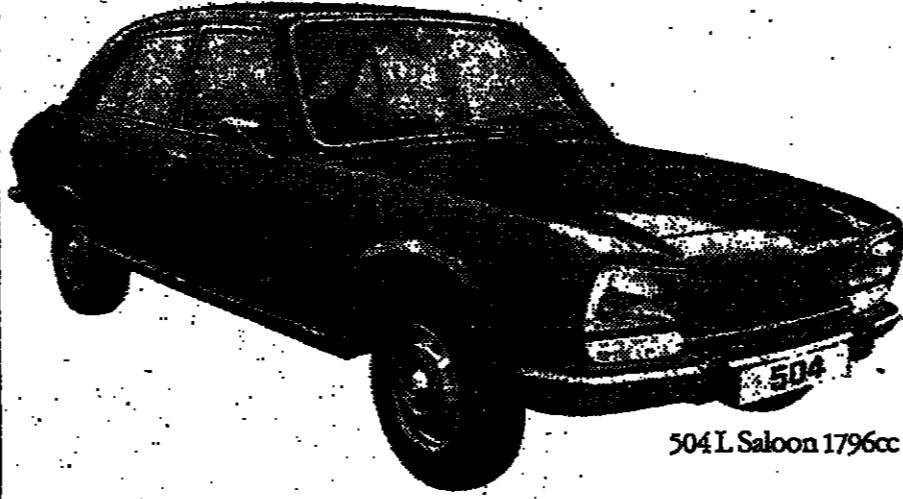
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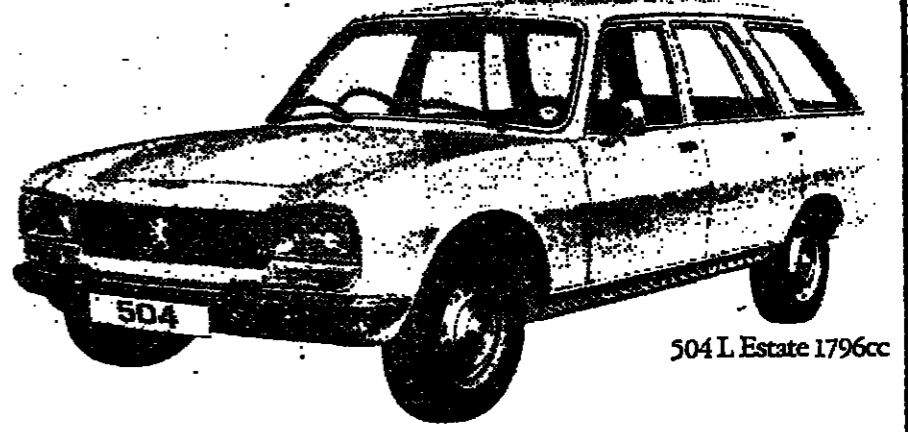
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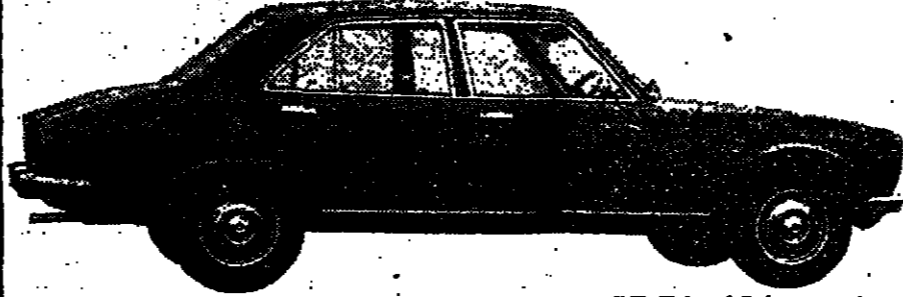
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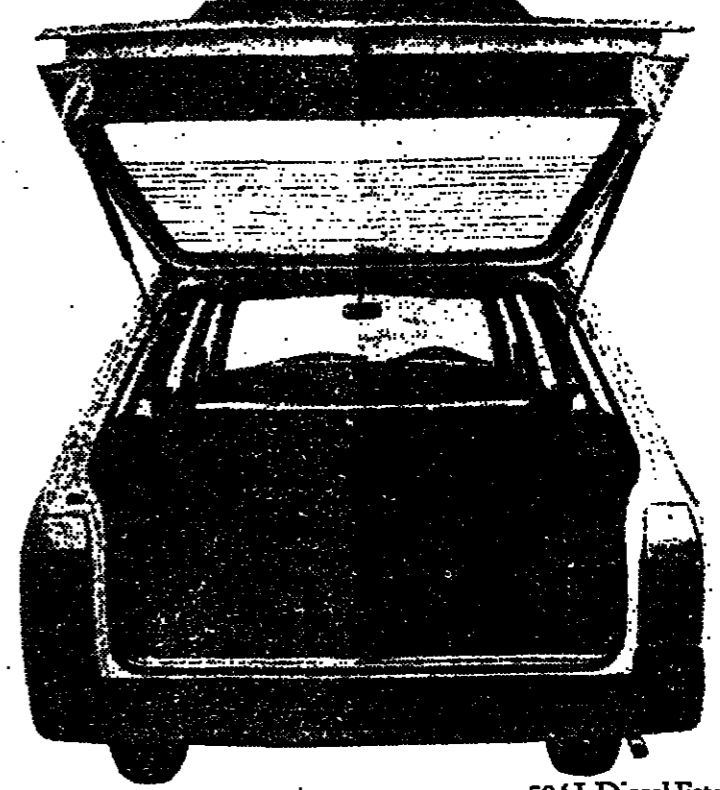
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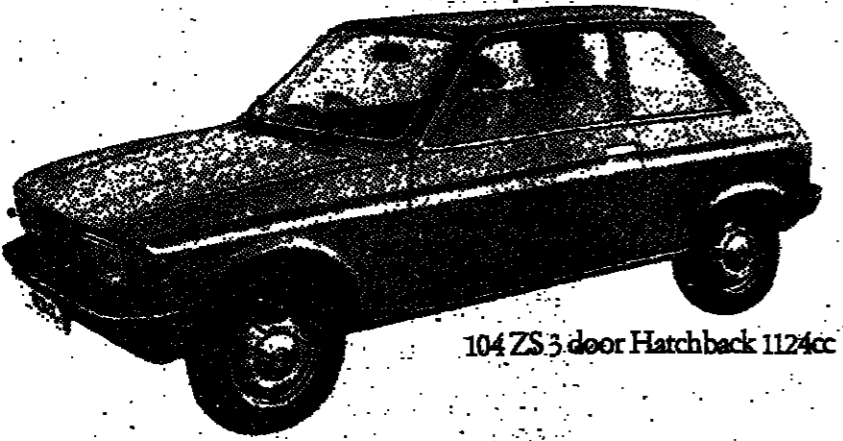
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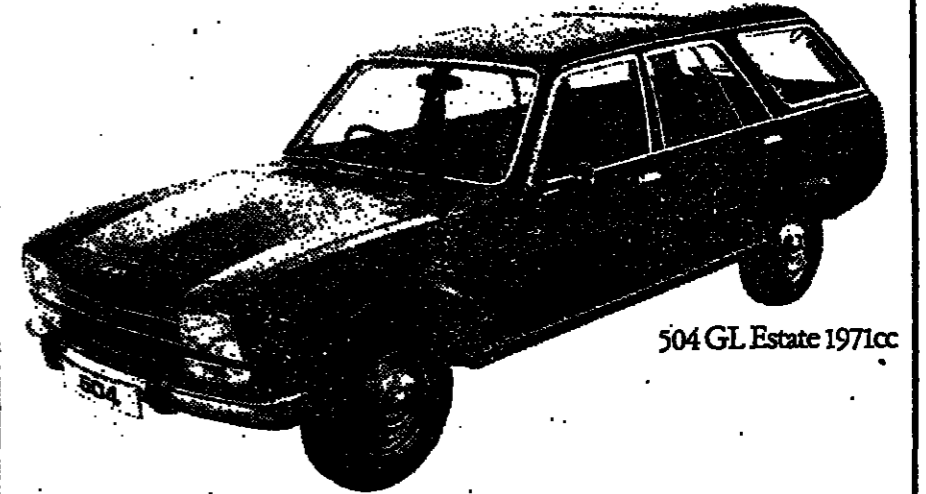
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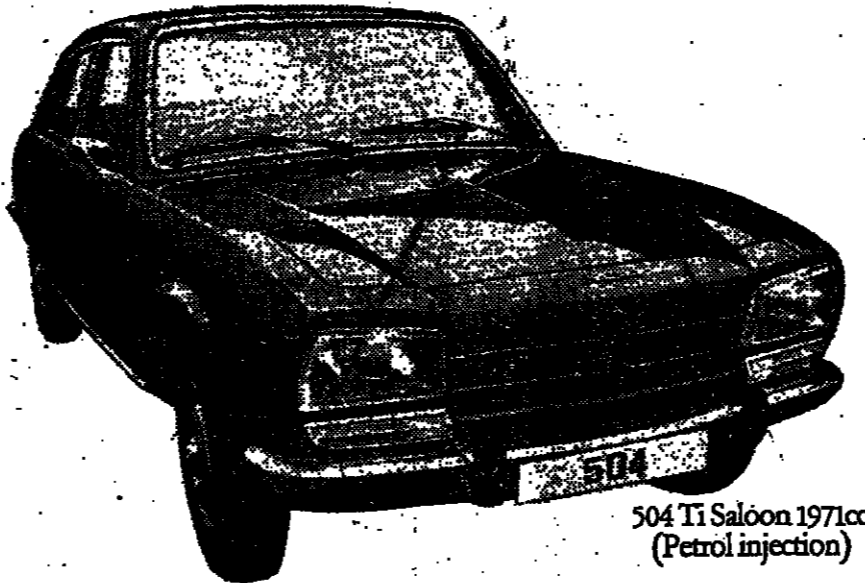
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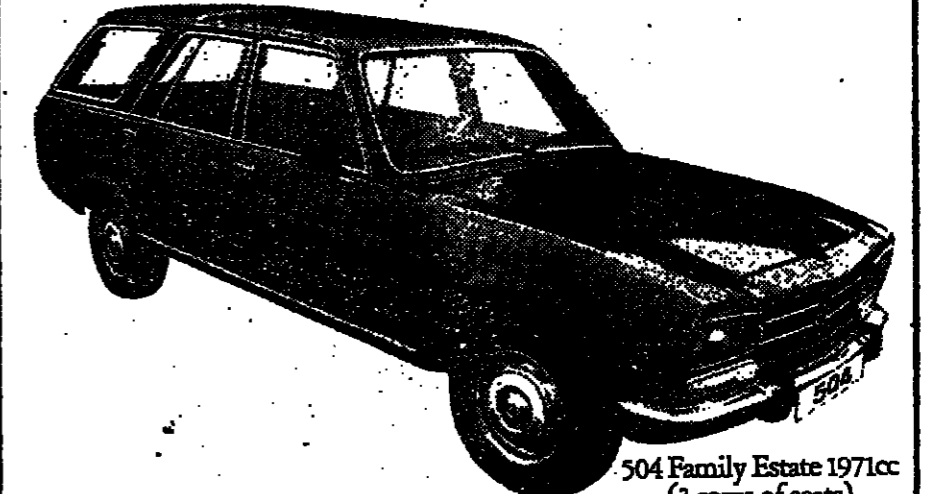
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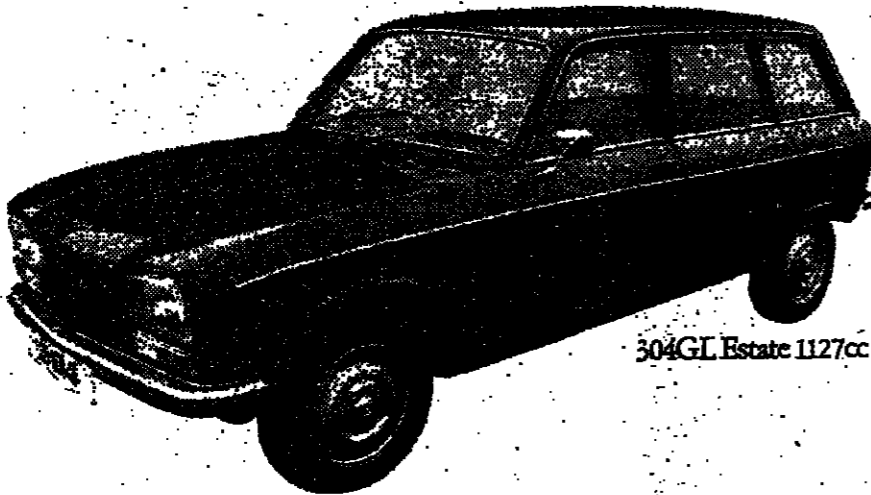
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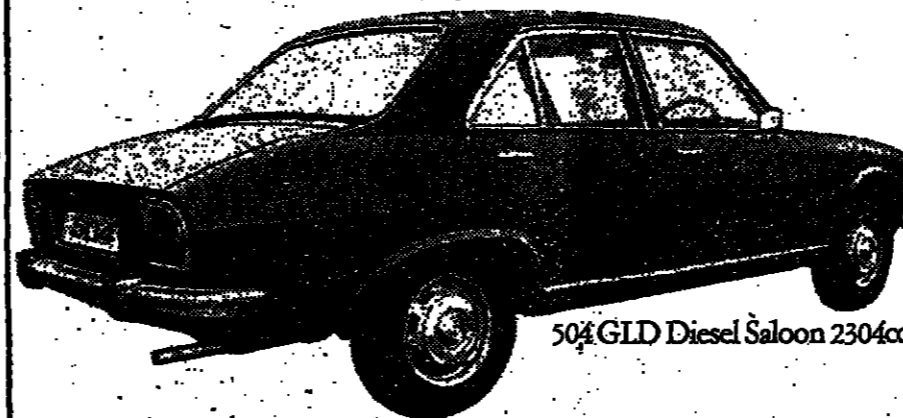
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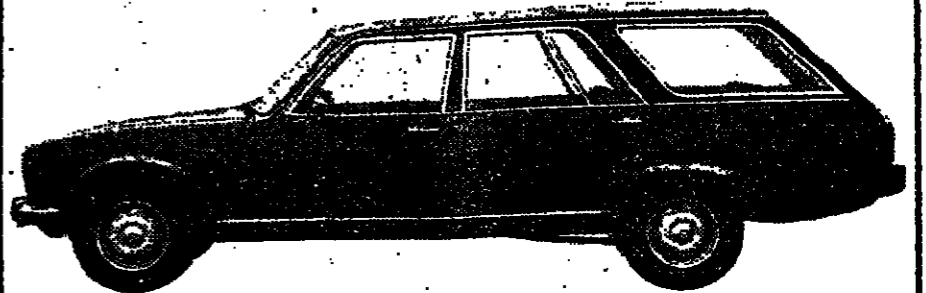
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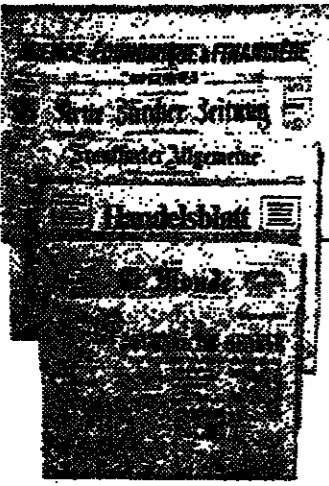
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FRANCE VI

The French nuclear energy programme should be able to provide a substantial amount of the country's energy needs in less than a decade — while its enrichment process may be of international significance.

Nuclear power

FRANCE'S NUCLEAR power capacity annually. This was in programme is one of the most ambitious in the Western world and the French authorities intend to go ahead with it in spite of growing environmental objections and pressures from Washington to drop the development of fast breeder reactors.

The basic reasons for this determined approach are not difficult to find. France is dependent on imports for as much as 75 per cent of its energy needs and, as yet, has found no oil reserves in its territorial waters which could meet its future needs. Its coal deposits are small, compared with those of the U.K. and West Germany, not to speak of the U.S., and production from the natural gas field in Lacq will start to run down from 1983 onwards. Both for balance of payments reasons and because France has always put great emphasis on independence in all fields, the decision to go nuclear was virtually a foregone conclusion.

By 1985, according to the latest official estimates, France will be consuming some 240m tonnes of oil equivalent (MTOE), compared with only 174m in 1976. Under present plans, 60m tonnes, or as much as 25 per cent of the total, will be provided in 1985 by electricity produced by nuclear power, compared with only 4m tonnes to-day, though the country's oil requirements will still be some 96 MTOE, only marginally less than last year's consumption of 109 MTOE.

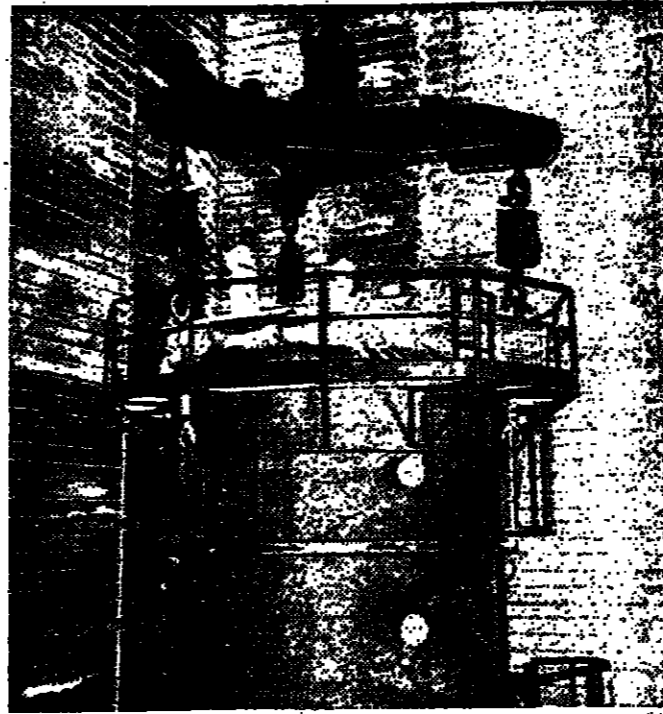
To meet this ambitious target, which was set a few months after the quadrupling of oil prices in 1973, the Government adopted a programme requiring the construction of some 50 nuclear power stations of 1,000 MW each by the middle of the next decade. Initially, the plan was that EDF, the State electricity authority, should invest a total of about Frs.70bn. over the five-year period from 1976 to 1980 for the construction of some 6,000Mw of nuclear

Choice

The final choice of reactor, however, was not made until 1975, after many years of hesitation. Like Britain, France first concentrated its efforts on the graphite-gas reactor, developed by the French atomic energy commission (CEA). In 1969, however, official support was switched to light water technology both for cost reasons and because the export markets for this type of reactor were considered to be much larger.

Two major French industrial groups were producing light water reactors at the time. Framatome, the nuclear subsidiary of Barons Empain's Crenault-Loire group, was making pressurised water reactors (PWRs) under Westinghouse licence, while Compagnie Generale D'Electricite (CGE) had opted for boiling water reactors (BWRs), which it was producing under a U.S. General Electric licence.

The Government first of all thought that the cost of reactors could be kept down by having two groups competing against each other and also wanted to test the respective merits of the two systems before finally making up its mind which to choose. In the end, however, it plumped for the Westinghouse reactor



A compressor/diffusion stage being installed at the Pierrelatte civil uranium enrichment plant.

produced by Framatome, which was favoured by the EDF, had more promising export prospects and had a better, longer operational record.

However, the fact that the reactor was of U.S. design and even more important, that Westinghouse had a 45 per cent stake in a company controlled by Baron Empain, a Belgian citizen, posed some serious problems. The French Government could hardly claim that it was pursuing an independent nuclear policy by putting itself entirely in the hands of a foreign-controlled company for the supply of all the country's nuclear reactors.

A deal was therefore negotiated with the U.S. company, under which the French atomic energy commission bought 30 per cent of Westinghouse's stake in Framatome. The under-lying Westinghouse licence altogether when it expires in 1982, by which time they hope

this new type of reactor within another enrichment known as the Corefid pr

The cost of the project—due to be taken this at initial investments, including the first fuel charge are estimated at not much less than Frs.5bn.—obliged the French to go into partnership with other countries. A new international company called NERSA was formed for the purpose, in which EDF has a majority stake of 51 per cent, the Italian electricity authority, ENEL, 33 per cent and West Germany's RWE, 16 per cent.

Though the French Government has pressed ahead with the Super-phenix, its technology has by no means been fully proven, to say nothing of the security problems it poses. Its prototype, the 350 MW Phenix reactor at Marcoule, in the South of France, has lately hit a number of snags, after producing electricity for the national grid since 1973. In October last year, it had to be put out of action after a leak was discovered in two of its six heat exchangers, through which liquid sodium circulates. It has taken more than eight months to repair the fault and all the heat exchangers will now be modified. The Phenix started working again this month, but it will take a long time before it operates at full capacity again.

Independence

The desire to become independent as quickly as possible also lay behind France's decision to opt for a process of uranium enrichment which, though technologically less advanced than the Anglo-German-Dutch Uranoc centrifuge project, will show results much sooner. The gaseous diffusion plant which has been built at Tricastin, on the banks of the Rhone, by the Eurodif consortium—grouping France, Italy, Belgium, Spain and Iran—will have a capacity of 10.5m separative work units annually, will become partially operational as soon as 1979 and is scheduled to work at full capacity by 1982. A final decision on the construction of

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The energy crisis has thrown the domestic oil market completely into reverse—posing major problems for the international oil majors there.

Oil

IN FEW Western countries has the oil industry been quite so marked by the energy crisis as in France. After years of steady expansion and healthy profits thanks to high economic growth and generous margins, the oil companies have suddenly been faced with a complete halt in demand and severe price controls at a time when exploration and development costs have been soaring and heavy investments will be required in the refining sector. An industry which only a few years ago seemed to have everything going for it is faced with a Government target of less national oil consumption in 1985 than in 1973.

During the 1960s the international oil majors would often complain about the French Government control of the French market and the preferential treatment given to the national companies, Compagnie Française des Pétroles (CFP) and Elf/Aquitaine, but the sharp expansion of French demand and the generous profit margins available in a controlled and protected market made it easier to accept the Government's support of the national industry. Little by little the foreign groups were forced to surrender market shares to the national groups, but their sales continued to rise without any trouble from price-cutting independents.

But now that domestic demand has come to a halt and those margins have been whittled away under tough price controls, the international groups have become increasingly resentful over growing State interference in their activities. This came to a head last summer when the Government announced new petrol marketing quotas which would effectively reduce even further the position of the foreign companies. In March Shell and Mobil actually lodged a formal complaint before the Conseil D'Etat.

But the national oil groups are not faring any better. Whereas the major U.S. companies still have access to Mid-

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FRANCE VII

Telecommunications is the branch of electronics selected to receive the major slice of coming investment. This is a typical move within the Government's industrial strategy where there is need to close a technology gap and at the same time allow a radical restructuring of the industry.

Electronics

THE FRENCH electronics industry is in the throes of substantial restructuring. It is in a classic instance of French industrial policy because it illustrates the response of the French Government to a deficit technology on the part of national companies and the attempt to consolidate the technology—once acquired or in order to acquire it—around one dominant group. This article concentrates largely on the telecommunications sector because this is a field which is receiving priority Government attention. France is currently making an investment effort in telecommunications equal to some 4 per cent of gross capital formation. The seventh National Plan aims at having a total of 19.3m. lines by 1982 against around 8.5m. in 1976, combined with a shortening of waiting periods and improvement in service. It is planned to install 100,000 public telephone booths by 1980. Exports of telecommunications equipment is scheduled to rise from the 15 per cent of national production it recorded in 1975 to 30 per cent by the end of the plan. The total amount in the plan earmarked for telecommunications was Frs.104bn. in 1975 prices, and annual investment has risen steadily from 966 when it was around Frs.22bn. to more than Frs.15bn. in 1976, making telecommunications the biggest national investor.

Chosen
The chosen company instrument for a substantial slice of massive investment is Thomson CSF, which is a subsidiary of Thomson-Brandt, Thomson and Compagnie Generale d'Electricite (CGE) the two giants of the French electronics industry, but their fortunes have changed dramatically over the past few years. Five years ago Thomson was owned mainly for its household electronics products and computer interests. CGE dominated heavy engineering and telecommunications. Between them they controlled the computer concern Compagnie Internationale pour l'Informatique (CII), which was the French member of the European Unidata computer association. In 1975 and 1976 a series of decisions on industrial strategy the Government radically altered these profiles. In the place of CII abandoned Unidata to link up with Honeywell of the U.S. to form Honeywell Bull. CGE was left with 19 per cent in the computer company while Thomson took the rump of its mini-computer interests as a basis for remodelling the company's activities in this field. The second big decision was a selection of the Westinghouse technology for the PWR reactor for France's nuclear power programme in opposition to the General Electric Ling water reactor sponsored by CGE. In addition, Creusot-Loire of the Empain-Schneider group was appointed the major contractor for the nuclear power station construction programme.

In 1976 CGE's loss-making heavy electrical subsidiary Thomson was merged with the reorganising Chantiers de Construction Navale (CCN), leaving a unit in which CGE held a 31 per cent stake. A year with an agreement between Alstom-Atlantique and Creusot-Loire redistributing their activities in the steam and hydraulic turbine, nuclear reactor and power station fields in a complex series of joint ventures which marked the emergence of Creusot-Loire as the main nuclear contractor.

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Finally, the Government decided to build its telecommunications development programme around Thomson, giving the company, virtually at a stroke, 35 per cent of a market held by CGE. The consolation was that for the second generation of modern telephone exchanges—the fully electronic time division switching systems—the CGE subsidiary CIT-Alcatel will enjoy the industrial leadership.

The problem was that while Thomson was to be the main supplier of telecommunications equipment for the first generation system the necessary technology was foreign-owned and developed. The Metaco system had been developed by ITT, which had two big subsidiaries in France, Le Materiel Telephonique (LMT) and Compagnie Generale de Constructions Telephoniques (CGCT). These two subsidiaries had been developing slightly different versions of the LL-F Metaco system chosen. The other system, the AXE, had been developed by L. M. Ericsson of Sweden, which also had a French subsidiary.

The French Government therefore "invited" the two foreign parent companies to dispose of their subsidiaries to Thomson CSF to bring the technology under French control and avoid having to look to foreign companies to carry through the country's single biggest investment programme. Although the preference was rather for CGCT in the end it was LMT which went into the Thomson camp. This was an ironical turn of events because CGCT had been bought from Thomson in the first place in the 1920s by the men who went on to found ITT.

Nonetheless LMT is a substantial concern. It reported 1976 sales of Frs.1,7bn. (more than £200m.) and net profits of Frs.60m. Ericsson's French subsidiary went into the marriage with a first-half 1976 loss of Frs.50m. as a result of readjustments of stock evaluation and unduly high debt prices together with heavy R and D charges. Its second-half loss was smaller and Thomson went out of its way to praise the record of the company in which it was

becoming principal and ultimately majority shareholder. The Swedish parent company promised to help the French concern overcome its difficulties while L. M. Ericsson is associated with the development of the AXE for French use.

Consolidating LMT, in which it became majority shareholder, the Thomson-CSF group achieved net sales in 1976 of Frs.7.8bn., of which some 43 per cent was gained overseas. Net profits came to Frs.81m. The final step in completing the strategic dispositions was to bring together ITT's former and its remaining subsidiary to collaborate on the Metaco system. This association, created as an "economic interest group" which does not involve making any changes in capital structure, has been christened Frameta, and the essential object is to marry together the Metaco versions developed by LMT and CGCT. It also ensures that the ITT subsidiary will share in the work flowing from the investment programme.

Adapt

So far six Metaco exchanges have been ordered, scheduled to come into service in the first half of next year. French and Swedish experts are also working to adapt the AXE to accommodate the signalling mode and charges in force in France. Some 23,000 lines have already been ordered for exchanges in Orleans and Nantes and a further 70-90,000 lines should be ordered in 1977. The first AXE exchange to go into operation should be the 13,000-line capacity Orleans exchange in October 1978.

Recently M. Maurice Valente, the European president of ITT, declared that ITT intended to try for 40 per cent of the French market despite the loss of LMT to Thomson CSF. Initial forecasts suggest that in 1977 the ITT post and telecommunications utility would require a total of 2.4m. new lines, of which some 400,000 would be the purely electronic lines of the CGE E10 system and 200,000 of the semi-electronic ITT and Thomson CSF system. It now looks as if some 2.7m. lines will be ordered. Of these some 530,000 will be semi-electric or

all-electric divided equally between the two. In addition there is an optional slice of 180,000 additional lines of which it appears, some 120,000 would be semi-electric. This means that CGE's part with its E10 system is unlikely to be beyond 315,000 lines.

Telecommunications is not the Thomson-CSF group's only preoccupation. It is concerned about the fragmentation of French industry throughout the electronics field. On the computer peripherals front, where France has a Frs.2bn. a year payments deficit, the State is to agree "growth contracts" with several concerns calling for capital investment, creases and State aid. Subsidiaries of Thomson, CGE and interest group" which does not involve making any changes in capital structure, has been christened Frameta, and the essential object is to marry together the Metaco versions developed by LMT and CGCT. It also ensures that the ITT subsidiary will share in the work flowing from the investment programme.

In addition some Frs.600m. in aid over five years is to go to the integrated circuit sector and Thomson and CGE will certainly figure in this programme. Thomson CSF is also involved in nationalisation of the semiconductor industry. It has just bought 70 per cent of the Silec subsidiary Silec-Semi-Conducteurs which it will run in co-operation with its own subsidiary Sescosem. This was already foreshadowed in December when the head of the Silec subsidiary took over the running of Sescosem. The two will retain separate brand identities. Finally, it is worth noting a new effort at collaboration between Thomson CSF and Plessey of the U.K. in the development and manufacture of integrated circuits. Informal discussions in 1972 came to nothing but earlier this year a study group was set up to examine the possibility of an association to "rationalise and complement their respective activities particularly at the level of research and production and to reinforce their commercial impact on world markets." Speculation in Paris suggested that eventually concerns like Siemens, Motorola and La Radiotechnique—a subsidiary of the Dutch Philips—could be drawn into an eventual co-operation but the two companies themselves have offered no encouragement to this belief.

By electricity which has assisted a number of countries in establishing their own oil industries. But with oil expected to take a steadily smaller proportion of French energy consumption, the future for Elf/Aquitaine and CFP would be a bleak one if they stuck only to hydrocarbons. Not surprisingly, the two groups have responded to the new situation by diversifying their interests. Already in petrochemicals, Elf/Aquitaine has moved into coal, nickel, solar energy and most spectacular of all pharmaceuticals, cosmetics and other health products. CFP has stuck more closely to its energy role. Starting with interests in petrochemicals and fertilisers, the group has moved into uranium mining where it operates a joint subsidiary Minatome with Pechiney Ugine Kuhlmann, into coal with a 33 per cent stake in a South African project and into solar and geothermal energy. Until now, Elf/Aquitaine, in which the state holds some 70 per cent, has been regarded as the state oil group, while CFP, with a state participation of only 25 per cent, has been seen as more of an international company. For years this difference could be seen in the respective attitudes adopted by the two groups. But since 1973 the differences between the two companies have become less marked as CFP has lost some of its power in the Middle East and Elf/Aquitaine has benefited from the cashflow from Lacq. With the absorption of the state-owned ERAP by the semi-private Aquitaine, Elf/Aquitaine can no longer be considered as a sort of government ministry, while CFP has been forced to include government representatives on its Board. With the Government unable to decide who should succeed Elf/Aquitaine chairman Pierre Guillaumat when he retires in August and the opposition parties threatening outright nationalisation of the French oil industry it is as uncertain as the political scene itself.

Oil

CONTINUED FROM PREVIOUS PAGE

Heimdal in Norwegian waters. A major complaint of the French oil industry has been the slow manner in which the Government has adjusted national prices to the increased cost of imported crude. The industry welcomed the Government's decision last year to freeze price of fuel oil and naphtha, only to find that a few months later these products were being subjected to Prime Minister Raymond Barre's three-month price freeze. Even when this freeze ended at the end of December, the Government insisted on maintaining fixed price levels, higher though they may have been. But even the official prices for industrial fuel oil have proved too high as Shell, British Petroleum and Elf/Aquitaine have thrown themselves into a minor price war in this field.

In France, the national companies may now secure a more important share in the lucrative petrol market, where Mobil and Esso have been traditionally well placed, but in the rest of Europe they are finding it difficult to compete with the low prices charged by some of the international groups, who can often write off marketing losses against profits earned on local oil or gas production. It is significant that both CFP and Elf/Aquitaine were among five companies which are trying to persuade the Common Market authorities to bring some order into the European refining and marketing sector. Their attempts are, however, meeting strong opposition from the majors and certain EEC Governments.

The difficulties currently being encountered in the refining sector are easy to explain. With European Governments doing everything to reduce oil imports, the amount of crude to be refined is growing much more slowly or even declining. With refineries forced to operate at uneconomic capacities, operating costs have increased. To make things worse, demand has fallen more sharply for heavy than light fuels. With Electricite de France (EDF) refusing to build any more fuel-fired power stations, industry being encouraged to economise energy and homes being heated

increasingly by electricity rather than oil, refineries will have to be adjusted to cope with what has become the only remaining growth market—petrol. But in France alone such adjustments could cost Frs.15 to 20bn. The oil crisis has certainly shown up the financial weakness of the French oil industry, but it has strengthened this country's reputation in exploration and development expertise, especially offshore. With most onshore fields already developed by international groups or in the hands of the producer countries themselves, the French have concentrated on the relatively unexplored offshore areas. The main efforts are being concentrated on regions which are considered politically safe.

Disappointment

Exploration offshore France has been disappointing. Ten years of drilling off the Aquitaine coast has revealed nothing commercial, exploration in the Mer d'Iroise (Western Approaches) has not brought any finds and the Mediterranean is too deep for existing technology, but in the North Sea the French have been remarkably successful with an important stake in Ekofisk, the development of Frigg and various Dutch gas fields and the discoveries of Alwyn and Heimdal. In Indonesia OGP has emerged as the second most important oil producer, while Elf/Aquitaine has found oil off the coasts of Gabon, the Congo, Nigeria and Tunisia.

But in the face of the growing desire of producer countries to control their own exploration and development programmes, the French are acting increasingly as service contractors rather than outright investors. Elf/Aquitaine was one of the first companies to adopt such a policy when it signed a service contract with Iraq in the 1960s. Since then it has made similar arrangements in Iran, Egypt, Brazil and Vietnam. CFP has won service contracts from Algeria, Abu Dhabi and India. Helping promote French know-how in the oil field is BEICIP, the subsidiary of Institut Francais du Pétrole (IFP)

which has assisted a number of countries in establishing their own oil industries.

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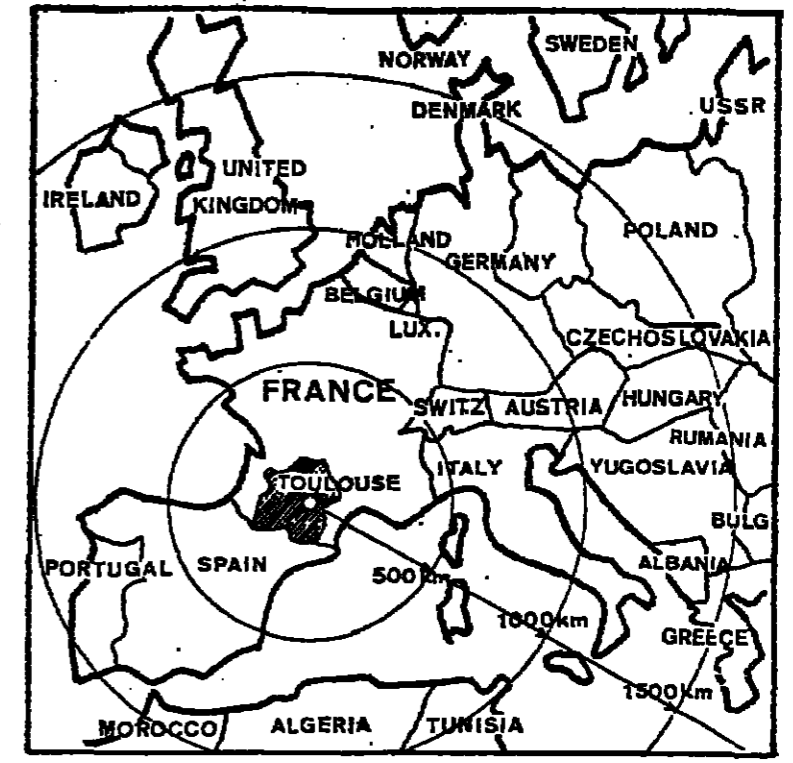
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FRANCE VIII

Short of orders and short of money, the shipyards are appealing to the Government for financial help. This is likely to be given, but only if the industry agrees to carry out further restructuring — perhaps not a bad move anyway in view of the intense world competition in shipbuilding.

Shipbuilding

THE SHIPBUILDING industry in France is in difficulty. Even those yards whose order books were hitherto relatively full have recently been severely affected by the crisis according to M. Dominique de Mas Latrie, the general manager of the French Shipbuilding Industry Association.

Production in France is still high enough. Last year French yards delivered 1,544,000 gross tons of shipping, including two very large tankers of 550,000 dwt each for Shell Française, which were built by Alsthom Atlantique, the industry leader. This year deliveries will be about 1,250,000 gross tons.

However, order books almost everywhere are depleted. Shipbuilders say that they have barely received any foreign orders for the past two years. By April 1 this year the industry order book had shrunk to 2,095,000 gross tons as against more than 6m. gross tons on January 1, 1975.

During 1977 new shipbuilding starts will be only 500,000 grt, which implies that launchings next year will be of roughly the same order. Allowing for the fact that French yards are building more sophisticated vessels (big carriers, container ships and roll-on roll-off vessels) and have few orders for tankers, production is estimated to be falling by about one-third in value this year.

It is against this uncertain background that the industry is negotiating for immediate relief in the form of government cash. The Government, however, is not disposed to inject money into the industry unless the latter is "re-structured," reducing the number of major yards from five to two or perhaps three.

The companies that are involved in this squeeze, employing some 26,000 out of an industry labour force of 30,000,

are fighting for their lives. The two definite survivors would appear to be Alsthom Atlantique, which belongs to the Compagnie Generale d'Electricite (CGE) group, following the merger last year between Chantiers de l'Atlantique and Alsthom, the heavy electrical equipment manufacturer—and Metallurgique et Navale Dunkerque Normandie, also the product of a recent merger between Chantiers de France-Dunkerque and another member of the Espain Schneider group, Metallurgique de Normandie, which is a steel producer.

The companies whose existence as independent units is threatened are Dubigeon Normandie, which had links with Chantiers de l'Atlantique before the latter's merger, and Constructions Navales et Industrielles de la Mediterranee (CNIM), which is closer to France-Dunkerque. These two organisations have been much less profitable than the major members linked with industry French industrial groups. (The Terrin group, the main ship repairing company, is also in difficulty and has announced that it is discharging 20 per cent of its labour force.)

Meanwhile, Chantiers de La Ciotat, the second largest French shipbuilder, which is owned by the Lebanese institution, Intra Bank, is in a quandary. In the past it has co-operated with Chantiers de l'Atlantique both technically and in making joint tenders. The intentions of the Lebanese owners of La Ciotat remain to be declared.

There is little doubt, however, that the French Government will have its way and will oblige

the industry to "re-structure" itself this year. The industry is resisting change and asking for more time, in the brave hope that help will be forthcoming on minimal conditions. But industry observers say that a new structure for the industry must be announced by the early autumn.

Two strategies are thus coming into play. First, shipbuilding concerns are being merged with companies outside the industry; this is a solution à la japonaise permitting the merged firms to switch men and capital to sectors where demand is strongest. The second strategy is to combine shipbuilding companies with others from the same industry.

Limit

Last year the first major move was made under the "Japanese" system when the biggest company in the industry, Chantiers de l'Atlantique (1975 sales £250m.), went into the CGE fold. With the recent incorporation of France-Dunkerque with its Schneider group partner, the strategy of tying shipbuilding companies into major industrial combines may have reached a limit.

The industry is thus witnessing the intrinsically more painful part of the process of "re-structuring." Merging companies in the same industry, as the State is preparing to do, means eliminating jobs. Everyone accepts that production cannot be maintained at the 1975-1976 level, given a world-wide recession in shipbuilding which is at least the worst since 1945 if not since the depression of the 1930s.

The shipbuilding companies

are having to knuckle under to Government mainly because they have no alternative. After a good year in 1975 and an average 1976 they are making little money and they have no prospect of making share issues. Several companies need help in the immediate future, which only the French Government can provide.

At the same time the industry is pursuing other strategies, making contact with other European shipbuilders via the OECD and the EEC, and attempting to come to terms with the Japanese, who hold more than 50 per cent of the world market also via the OECD. There are hopes of a protectionist solution under which European shipping companies would be obliged by the EEC to place more orders within the Community.

This tactic, which is in any case fraught with difficulty because European shipbuilders have little tradition of co-operation, cannot yield results in the short-term. Equally, talking to the Japanese has not so far produced great results. "There is a problem of mutual credibility" according to a French shipbuilding official.

Ideally, the EEC countries acting together would persuade the Japanese to co-operate, "not to press too hard." At the same time the Europeans and the Japanese would combine activities in selling ships both to the industrial nations and the developing world. The French appreciate, however, that this utopian vision is unlikely to be realised.

Not the least of the shipbuilding industry's problems is that competition from the developing countries is increasing.

Yards in South Korea, Singapore and elsewhere are tending to undercut Japanese. And lenders to 30 per cent below E levels continually emerge, the Far East, whether Tokyo or Seoul.

The French are determined to keep their ship industry alive, a mission to do so the company earned will have to make fees; in some cases they out of business as independent units. Unfortunately, the unions may not accept such sacrifices on the side of such as cutting back on ment at the yards.

With some 30,000 m employed in this industry sales in 1976 exceeded £ and the prospect of a physical production of one, third and possibly the next year—the i ought to lay off a go thousand men at once. present political atmosphere that will be a difficult to meet, though industry men state that up to cent of the total labour may have to be discharged 1978.

On this basis the "Jap solution" to the industry namely merging ship companies with other right outside the industry the best. The Government efforts to re-structure industry by linking large panies from the same in are indispensable, but m yield much, ultimately, in of efficiency. Meanwhile 11 dozen smaller yards i industry face extinction.

Henry Scott S

As with shipbuilding, strategic direction of the aerospace industry is becoming more and more a Government matter. This is highlighted by the formation of a new Board to look after the State sector, with the long-term aim of achieving maximum co-ordination of all sectors.

Aerospace

FRANCE'S AEROSPACE industry went into the Paris Air Show at the beginning of this month short of both work and a sense of direction. The possibility of Concorde finally getting into New York and of the Airbus breaking into the American market were rays of hope but insufficient to sustain optimism in the industry. It needed a clear guide on product development and new ventures, and on where it should look for its partners.

It emerged from Le Bourget with at least the principal lines of its strategy in the civil field drawn, but with many of the details to be filled in. In establishing a State holding company to look after the public shareholding in the industry the Government is intending to provide for more consistent management of development and closer co-ordination between its constituent parts.

The chairmanship of this new Board is being entrusted to a man with wide experience both of the aviation industry and the Civil Service. M. Jean Biancard has been a senior civil servant looking after French Air Force matters; chairman of the State-owned aircraft engine builder Snecma; the Government's chief civil servant on armament policies and, most recently, chairman of the nationalised utility, Gaz de France. His passage from the top ranks of the civil service to the top ranks of industry is by no means exceptional in France, and one of his qualifications is, undoubtedly his long acquaintance with the affairs of the main private aircraft concern—Marcel Dassault-Breguet Aviation—in which the Government is to take a one-third blocking minority in the interests so as to control all the necessary means to co-ordinate the industry.

This Board will start to work out the details of policy—but meantime the main guidelines have been drawn. The first is the development of the Airbus as the centre-piece of the French aviation industry. The Airbus is the product essentially of the Franco-German consortium Airbus Industrie which has Aero-spatiale of France and MBB and VFW-Fokker as its main constituents. Coming on to the

market at a time of recession the Airbus has sold slowly despite the technical bouquets universally accorded to it. Its present score stands at 43 sales and orders and 22 paid options excluding four aircraft to be leased.

It exists in a single version, the BA, powered by General Electric of U.S. engines. The main British interest in the aircraft is via Hawker Siddeley, which builds the wings as a sub-contractor.

It is generally believed that to become a success the Airbus needs to break into the U.S. market to prove itself in the most competitive and wearing conditions and to be able to offer models serving a variety of functions and with alternative power units.

At the Air Show Pratt and Whitney of the U.S. signed an agreement with the consortium to work with it to achieve certification by around March 1979 of a BA powered by the JT9D engine. Since this engine is one of the regular motors for the Boeing 747 and McDonnell Douglas DC-10 the Airbus offers greater compatibility for some airlines with existing material than with the original General Electric unit.

Arrangement

Entry into the U.S. market hinges on America's domestic carrier Eastern Airlines. This airline is leasing (without charge) four Airbuses to use on its dense Florida-New York run for six months and says that if they are successful it could follow up with a substantial purchase order. If this materialises it could well be the launching pad for the Airbus. If it does not, Airbus will be back even behind Square One unless Eastern makes it clear that its problem is financing the purchase rather than dissatisfaction with the airliner.

The second main line of development is the decision to construct a completely new 120-160-seat airliner of medium range to meet the needs of airlines in the early 1980s. The French Government sees this as a European venture on trusted to the Airbus consortium. It is basing its discussions with potential partners on the proposal from Aero-spatiale for sister aircraft carry-

ing 120 and 160 passengers respectively (the A200 programme) powered by CFM-56 engines which are the product of a joint venture by Snecma of France and General Electric of the U.S.

Endorsement of this project, at least at the study level, implicitly brings down the curtain on the year-old co-operation venture between McDonnell Douglas of the U.S. and Dassault of France on a slightly bigger airliner christened the ASMR. The ASMR was to have been a derivative of Dassault's Mercure 100—now in service with the State-owned Air Inter—which has bought the only ten aircraft sold. But McDonnell Douglas has concluded from its discussions with airlines that

even with the improver has made to the design no market for such an in the near future. A operative venture which appeared to be fraught with agreements from the seems unlikely to continue.

In its turn the British space group has proven own contender for the market in the shape of proved and stretched B. Eleven (the X-Eleven) also using CFM-56s.

Discussions are taking between the potential partners on the pro-choose, but they are he against a background of different views of what ker wants.

CONTINUED ON NEXT PAGE

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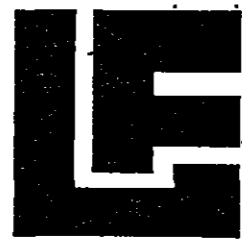
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Vehicle manufacturing is another major industry where a considerable degree of rationalisation has taken place, and where there is a large State sector. Recovery in car sales promises to make 1977 a better year, but the outlook for commercial vehicles continues to appear uncertain.

Motor industry

TWO FACTORS have dominated the fortunes of the French motor industry over the past couple of years—the upward swing from a severely depressed to a buoyant car market and the reverse swing in the commercial vehicle market, and the process of absorbing the structural changes which have affected the two main groups.

The changes in structure date from the financial difficulties which the Citroën group ran into three years ago. This led to the cutting of Citroën's link with its parent Michelin, the tyre manufacturer, and the splitting of its car and commercial vehicle activities between the two other big French-owned groups.

Expansion

For a long time the State-owned manufacturers Renault had wanted Citroën's Berliet commercial vehicle division to add to its own Saviem operation. It argued that the ranges, despite some overlap, could be made compatible fairly quickly and that the larger unit that would emerge from bringing the two companies together would at least enable France not merely to offer a more effective challenge in export markets but to provide more effective competition to imports on the home market. In financial terms the gradual integration of operations and the use of common components would enable production economies to be made.

The Government provided financial aid for Renault to take over Berliet. The company has since been careful to preserve the separate identity of the two units while ensuring as much commonality of parts and integration of range as possible. In the Renault jargon the two units are being "converged" rather than merged.

Ironically, the recession rather spoiled the honeymoon. The year 1975 was a disappointing year in profit and turnover terms, and the market did not begin to pick up until in the autumn of 1975 the Government headed by M. Jacques Chirac introduced investment

incentives as part of a reflation package.

By the autumn of 1976 the market had turned sour again on the commercial vehicle companies, but in the meantime sales were buoyant enough to produce a substantial financial turnaround in the 1976 results. Berliet, with deliveries of more than 23,000 units, pushed up its turnover by 9.8 per cent. to reach just short of Frs.4bn. and turned its net 1975 loss of Frs.72m. into a profit of Frs.125m. Saviem had ended 1975 even deeper in the red at Frs.61.5m. but just scraped back into the black in 1976 while turnover was more than 27 per cent. better to Frs.3.9bn. and output topped 40,000, 5,000 better than the year before.

Together the Renault companies took 51.7 per cent. of registrations of lorries, coaches and buses of more than six tonnes gross vehicle weight, while the Fiat group company Unic took 10.4 per cent. Altogether in this category French manufactured vehicles took some 62 per cent. of the home market.

Renault, in the person of the 51-year-old M. Francois Zannotti, the head of its commercial vehicles division, is confident of expanding the market share of its vehicles as it introduces a comprehensive and modern range. It argues that a commencing market share of more than 50 per cent. in the over five-tonne category is a solid base considering that it has been won with a rather elderly range of vehicles.

M. Zannotti expects that the group can probably arrive closer to 60 per cent. of the home market once the effort to produce a range of durable vehicles in substantial volumes is realised. Up to 1981 investment equal to around 7 per cent. of turnover is expected.

A new stage in the assimilation of Berliet and Saviem into a closer union will take place at the end of June 1978 when the two companies will be merged into a single company, Renault Industrial Vehicles—a title originally envisaged to cover products on the export

market. However, the original Saviem and Berliet names will be retained in marketing the vehicles.

The company had a record year also in 1976, its first profitable results for three years. Net profits were Frs.214.8m. compared with 1974 losses of Frs.71.8m. and 1975 losses of Frs.110.8m. Even in the record year for the company of 1972 earnings were still below Frs.100m.

This year is likely to be poor financially, however. Both companies ended the year working short-time and with heavy stocks and nothing has happened since to lighten the gloom. To the inevitable problems of world recession are added the specifically French hesitations derived from the imminence of a general election which could bring down the curtain on 20 years of Gaullism and endow France with a Communist-Socialist coalition government trying to co-exist with President Giscard d'Estaing.

The car division of Citroën went into the embrace of the private enterprise group Peugeot, also with a State dowry. Ostensibly these two fitted together more neatly with Peugeot's range stretching up to the two-litre class and Citroën's expertise (leaving aside its legendary deux chevaux series of runarounds and go-anywheres) beginning beyond that.

The marriage was not an easy one. As a company Citroën was intensely proud of its engineering skills and traditions—a sort of Dassault of the motor industry. Temperamentally, it was bound to find its link with the more bourgeois Peugeot hard going. The two companies have retained separate identities and it is still policy to tread very gently in integrating the two concerns.

Fresh

Significantly, the new head of the holding company is a young man who represents a break with the tradition of promotion within the group. M. Jean-Paul

Parayre, who takes over just days before his 40th birthday, was a whizzkid in the parapolitical world of ministerial cabinets whose portfolios included the motor industry before he became a Peugeot director in 1974. He will be one of a three-man directorship along with Pierre Peugeot representing the family interest, while the two manufacturing units will be run by solidly industrial men. In his ministerial capacity he was on the Renault Board before his Peugeot association and there is speculation in the trade that he may seek to establish stronger links with the State-owned group.

Citroën in 1975 lost Frs.304m. but in 1976 turned this round to a Frs.297m. profit. Peugeot had remained in profit in 1975 at Frs.109m. and in 1976 pushed this up to Frs.531m. The non-consolidated balance sheet of PSA Peugeot-Citroën for 1976 showed a net profit of Frs.327m. against Frs.112m.

Performance

Renault itself had a record year in its car divisions. Traditionally the French market has demanded durable and reliable family cars without any great claims as to performance. It is on such cars that Renault's traditional reputation rests. But over the past few years the State-owned company has moved quickly up the market beyond its Renault 16, its previous upper limit, to introduce the 20 and the 30 to challenge the luxury end of the market previously dominated by its private sector competitors.

At the same time it has developed a range of models at the economy end of the scale which have given it a strong stake in the mini and near-mini market. The 5 has been a solid success and the relatively new 14 also seems to be selling well. These two models illustrate the company's policy of developing a car for a specific market sector while maintaining momentum in existing models rather than following a more conventional replacement policy.

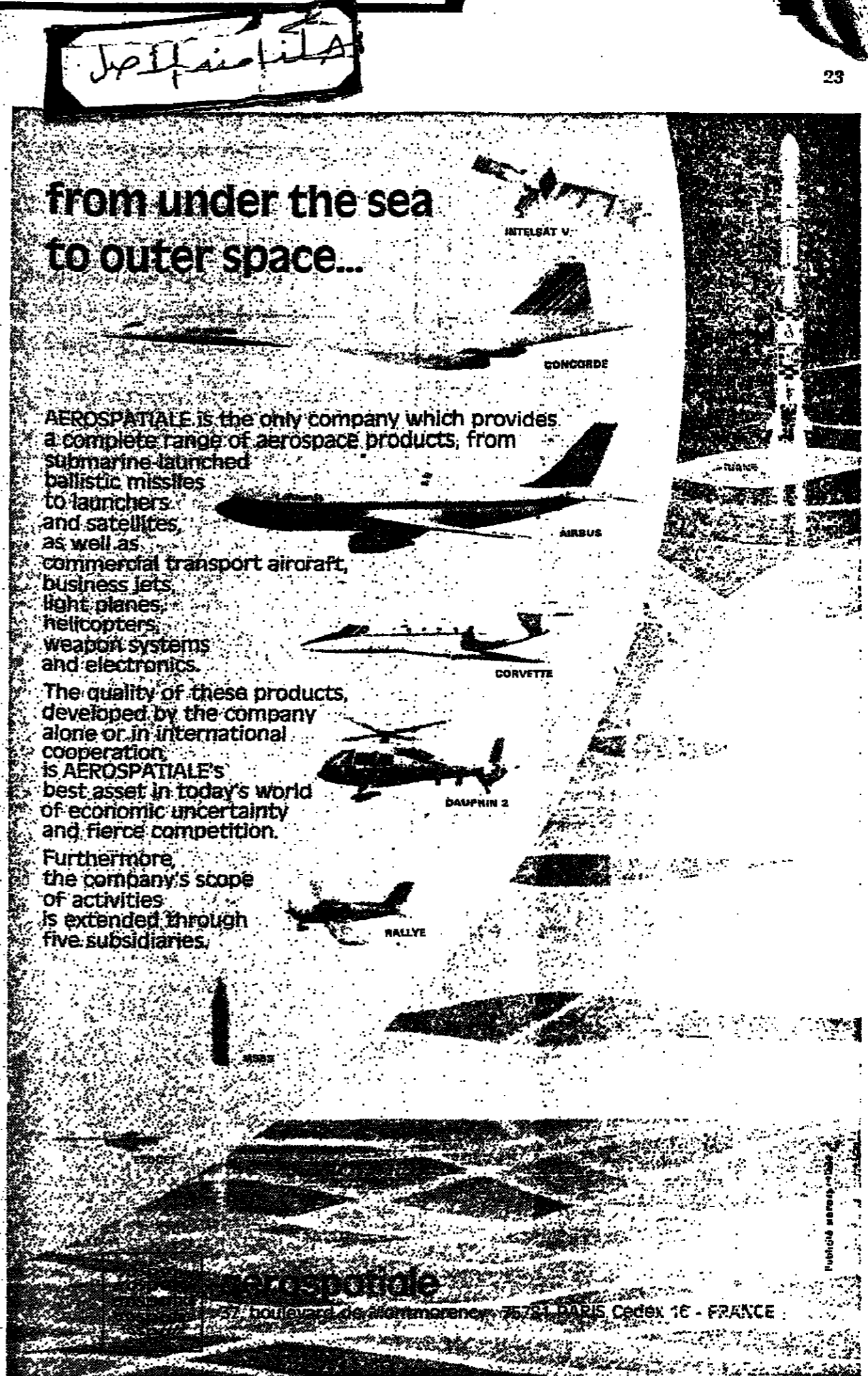
In 1976 Renault produced more than 1,566m. vehicles in France including small utility vehicles. Both Renault and Peugeot-Citroën topped the 1.5m. mark in cars alone and were neck and neck in production, though Renault's overseas manufacturing capacity helps to push it into eighth place among the world's motor manufacturers. In 1975 there was a loss of Frs.551m., mainly under the influence of a long strike in the spring, and though the 1976 figures are not yet available a net profit of at least Frs.600m. is expected and probably a bit more on a turnover up from Frs.12.2bn. to more than Frs.25bn. The company took around 32 per cent. of the car market in France last year and in April this year reached its furthest penetration with 43 per cent.

Renault is a national institution. It was nationalised by General de Gaulle immediately after the war and has since enjoyed a unique relationship with the State and a degree of autonomy in its use of resources and development planning which is the envy of other State-owned concerns (like Air France) subject to constant intervention.

M. Bernard Vernier-Palliez, in his second year as the head of the group, has spent a life time at Renault before taking up the top job. When he paid his visit to President Giscard d'Estaing to explain the company's policy he did so rather like an ambassador presenting his credentials with a special vignette, perhaps summarising the nature of Renault's special relationship with the State.

The third element in the French motor manufacturing industry is Chrysler France which after the losses of 1974 and 1975 has been making a strong comeback with its 1307 and 1308 range of cars. The company has been traditionally strong on the export side, with sales abroad double the home figure. In 1976, for example, Chrysler registrations of cars and small vans in France were 132,400, while production was nearly 450,000.

Turnover in 1976 was up Frs.8.13bn., some 45 per cent. to the good, and progress was particularly notable on the home market where the company pushed up its share from 9.3 to 10.6 per cent. Export sales were less dramatic although turnover here was 30 per cent. up to top Frs.4bn.



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Aerospace

CONTINUED FROM PREVIOUS PAGE

The basic conflict is between those who argue that a brand new airliner is needed for the early 1980s and those who claim that such an aircraft will not be needed until the middle to late 1980s and that in the meantime the emphasis must be put on derivatives of existing types modified to produce substantial economies in operating costs.

The French have endorsed the former concept: the British the latter, and there is some doubt as to whether the U.K. would be willing to support a joint venture to develop a new aircraft rather than exercising the alternative option of exploring the possibility of collaborating with an American builder. The obvious alternative is the Boeing 747 project.

In any event, the adoption of a new project and the expansion of the Airbus programme will have the effect of pushing work into the Aerospatiale factories in Toulouse, a politically sensitive city just retained by the Government at the last local elections. In addition the French Government has already authorised Aerospatiale, which in 1976 suffered a record loss of Frs.600-700m., to re-open the production lines for the military transport the Transall, a Franco-German aircraft which gained useful publicity when it was used to ferry Moroccan troops to Zaire to combat the recent invasion from Angola. Production of 25 to 30 additional aircraft, the bulk of them for the French Air Force, is expected.

The Airbus and the new airliner project between them held the key to solving the third big problem on the French Government's plate—the urgent need for the State-owned carrier Air France to replace its fleet of some 20 Caravelles. The airline has made no secret of its desire for Boeing 737s but the Government, with the ASMR project still officially alive and kicking, has consistently refused to yield permission to the point of threatening to fire the entire Air France board if it stepped out of line.

Now the airline has been told that it can acquire American aircraft on lease as a temporary measure—and that the leases must terminate to allow the introduction into the Air France

fleet of the new European airliner as it becomes available. Along with this the Government is insisting on closer co-operation between Air France and Air Inter, both State-owned. It says that such co-operation will permit the airlines between them to order six extra Airbuses between now and 1980 so that their fleet will total 24 not 18 Airbuses at that date.

While a merger of the two companies may not be envisaged, the decision that the companies will be merged into a single company, Renault Industrial Vehicles—a title originally envisaged to cover products on the export

market. However, the original Saviem and Berliet names will be retained in marketing the vehicles. The company had a record year also in 1976, its first profitable results for three years. Net profits were Frs.214.8m. compared with 1974 losses of Frs.71.8m. and 1975 losses of Frs.110.8m. Even in the record year for the company of 1972 earnings were still below Frs.100m.

Options

However, it is clear that the French industry is keeping its American options open. After all, two years ago, M. Jacques Chirac, the then Prime Minister, launched an appeal for a new European airliner before trying to sell the whole ASMR idea to McDonnell Douglas before the conclusion of talks with potential European partners.

The most important joint venture with the U.S. is clearly the CFM-56 development of the 10-tonne thrust engine which is destined not merely for a new European airliner but for the new American generation of narrow-bodied jets. Soema France to replace its fleet of some 20 Caravelles. The airline has made no secret of its desire for Boeing 737s but the Government, with the ASMR project still officially alive and kicking, has consistently refused to yield permission to the point of threatening to fire the entire Air France board if it stepped out of line.

Now the airline has been told that it can acquire American aircraft on lease as a temporary measure—and that the leases must terminate to allow the introduction into the Air France

this could easily have spilled over into eventual collaboration with Boeing on its 747 or 767 (more remote) programmes. Whether such "compensation" would be available for a leasing arrangement remains to be seen.

Dassault itself has an important American interest in its main civil project for the Falcon series of business jets, of which the latest, the Falcon 50, is a tri-jet with the "supercritical" wing with which the new generation of commercial airliners will be endowed. The company recently won an American Coast Guard order for 41 twin-engine Falcon 20s to be produced in co-operation with its 50-50 U.S. partner Pan American. It followed this up at Le Bourget with a Pan Am order for a further 56 aircraft including 20 of the new Falcon 50 to take total sales and orders to 606.

M. Barre himself did not exclude American co-operation on new ventures like the 120-160 seat airliner while asserting that strengthening of Europe's industry was an "essential prerequisite" for equitable trans-Atlantic co-operation.

On the structural side the main decision was to take a one-third blocking stake (by waiving loan repayments) in the aviation empire of 85-year-old M. Marcel Dassault, the designer and builder of the Mirage series of fighter-bombers.

It is tempting to see in this sort of "punishment" for the scandals which have hit Dassault in the wake of the embezzlement by his chief accountant of Frs.8m. from the Dassault private account.

In fact it makes much more sense to see the Government stake as simply a means of ensuring its ability to control the industry. Dassault is a very individual company, whose engineering pride lends itself unconformably to co-operation. In addition, it is the country's main defence contractor for the Air Force, the leading aviation export company, and tightly linked with Aerospatiale through sub-contracting arrangements. Clearly, without strategic control of Dassault the new aerospace Board would have no point in existing.

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The French chemicals industry remains essentially weak with many small companies. It also has to live under the threat of widespread nationalisation which is being advocated by the Left-wing opposition.

AFTER SURVIVING successive crises in the fibre, petrochemical, fertiliser and pharmaceutical sectors, the French chemical industry is nervously biting its nails in anticipation of what could be its toughest ordeal yet—a victory of the Left-wing opposition in next year's parliamentary elections and the widespread nationalisation of the chemical and pharmaceutical industries which would follow.

For under the opposition election manifesto, three of the country's most important chemical and pharmaceutical groups—Rhone-Poulenc, Pechiney Ugine Kuhlmann and the Hoechst-controlled Roussel-Uclaf—would fall into the State orbit. Still reeling from the punishment it has received over the last few years, the industry is in no state to fight off the nationalisation threat. Already three of the five largest French chemical groups are under State-control—the potassium and fertiliser group Entreprense, Miniere et Chimique EMC, the petrochemical and fertiliser subsidiary of the national coal board, CDF Chimie and the petrochemical subsidiary of the national oil companies ATO, while State-controlled Elf/Aquitaine is emerging as a major force in the pharmaceutical sector, where the State already holds considerable leverage through the health insurance funds. Even the shareholders are unlikely to complain. With the Rhone-Poulenc and Pechiney Ugine Kuhlmann (PUK) chemical activities running up losses for two years running and their shares standing at record lows, many of them believe compensation terms under nationalisation could hardly be tougher than the prices currently being offered on the stock market. While French investors in Roussel-Uclaf have already swallowed the German Hoechst

group take-over of the country's second most important pharmaceutical group. Many people in the industry would regard nationalisation as a just retribution for a sector which has failed to cope with the competition of rivals in the United States, West Germany, Britain and Italy. Eight years ago, pharmaceutical and fibre producer Rhone-Poulenc emerged as the country's only fully integrated chemical group when it took over Progil and Pechiney Saint Gobain, but it has yet to digest these measures and remains crippled by its loss-making textile interests. Ugine Kuhlmann preferred to concentrate on metals rather than chemicals when it merged with Pechiney in 1971, and, as a result, its chemical division lacks the broad base needed to meet international competition. In pharmaceuticals Roussel-Uclaf was unable to survive as an independent entity after the death of its founder, leaving Rhone-Poulenc as the only national company capable of any significant research effort in this field.

But the record of the nationalised groups has not been very much better. Since its foundation in 1967 CDF plant installations that the chemical industry threw itself into a series of mergers. But spread to petrochemicals in early 1975, started making itself felt in fertilisers and eventually even hit the once profitable pharmaceutical business. As a result, the new groups were left at a competitive disadvantage in relation to their more firmly established foreign rivals. Nationalisation may well prolong what has been a

The crisis of the French chemical industry is, of course, not related to whether it is in public or private hands, but to its historic structure. In the years of strong economic growth which characterised the 1960s and early 1970s its weakness has been hidden, but once the French economic machine came to a halt—and in 1975 that halt was a pretty sharp one with gross domestic product actually falling—the fragility was all too easy to see. What made things worse, however, was that the French recession occurred just when French companies were at last trying to introduce the changes that were so long overdue.

Family

The essential weaknesses of the French industry was the lack of any national tradition in chemicals and the presence of too many small companies. The chemical sector remained in the hands of family concerns and pharmaceuticals was for a long time the virtual monopoly of small laboratories. It was only in the 1960s under the pressure of the Common Market and the need for larger plant installations that the sector went back into the red. The rot started with synthetic fibres in the autumn of 1974, this concentration of the industry only threw up grave personnel problems without removing the disadvantages of old-fashioned and dispersed plants. As a result, the new groups were left at a competitive disadvantage in relation to their more firmly established foreign rivals. Nationalisation may well prolong what has been a

painful restructuring process for the industry leaders.

In the first few months after the oil crisis the French chemical industry could be forgiven for thinking it had at last overcome its handicap. Despite some problems with raw materials, French factories were working flat out to meet booming demand for everything from fibres and petrochemicals to fertilisers and pharmaceuticals. Rhone-Poulenc and Pechiney Ugine Kuhlmann registered record profits, even the state-owned concerns moved out of the red.

The very size of the boom made the 1975 downturn more painful. In one year production slumped 13.2 per cent with output of organics falling 23.7 per cent, of inorganics 16.8 per cent and of special chemicals 1.8 per cent. With most chemical plants working at little more than 50 to 60 per cent of their capacity and profit margins disappearing under tough international competition at home and abroad, Rhone-Poulenc announced a record loss of Frs.955m. Pechiney Ugine Kuhlmann (PUK) reported losses which were almost as heavy and the state plant installations that the sector went back into the red. The rot started with synthetic fibres in the autumn of 1974, this concentration of the industry only threw up grave personnel problems without removing the disadvantages of old-fashioned and dispersed plants. As a result, the new groups were left at a competitive disadvantage in relation to their more firmly established foreign rivals. Nationalisation may well prolong what has been a

Chemicals

The refutation of the French economy at the beginning of last year brought some relief to the chemical industry with a 32 per cent increase in organic chemical production, but by the year end falling prices had removed much of the benefits of increased sales. Output of inorganics, however, only rose 3.1 per cent as the crisis in fertilisers persisted and the output of pharmaceuticals increased only 3.5 per cent. Profit margins suffered as a result of government price controls and competition from cheap imports.

Output

The 13.8 per cent increase in chemical industry output last year was not even enough to restore production to 1974 levels, but it did enable the major chemical companies to report better results. Those with strong petrochemical interests did best with both CDF Chimie and ATO making profits, a group heavily involved in fertilisers like EMC continued to languish, while industry leaders Rhone-Poulenc and Pechiney Ugine Kuhlmann sharply reduced their deficits.

But the improvement has not been enough to encourage the industry to enter another investment phase, especially when parliamentary elections are but a year away and the economy is still suffering from the Government's anti-inflation drive. Rhone-Poulenc and British Petroleum have pulled out of a joint ethylene cracker project with Shell in the south of France and Shell has still

not decided whether to

ATO seems to have cracked its plans for a new cracker in Gonfreville, contenting itself with increased capacity in the Rhone. With Esso and Dow in their plans for ethylene in France, the only scheme in progress is that of Kirk Cracker being built in Chimie with the help of finance. With no real incentive to be detected in the synthetic fibres and plastics field, the industry marking time.

The main developer coming from government than private initiative, fertiliser field CDF Chimie taking over the fertiliser interests of EMC to form giant state combine, GESA, the joint subsidiary Rhone-Poulenc and Pechiney Ugine Kuhlmann are encouraged to COFAZ to form a major groupings. Similar are also planned in the pharmaceutical sector, where Government is anxious to develop larger national units able of carrying out research. Elf/Aquitaine made a strong start by up a whole string of petrochemical companies, but wise nothing has yet been done to foster the creation of groupings. The only encouragement for the petrochemical companies has been the Government's readiness to treat the sector as an industry rather than merely as a branch of the health insurance fund.

Michael Pa

With large redundancies planned and severe financial problems, the French steel industry is going through an acute crisis which has led to a major political debate over its future shape.

Steel

THE CRISIS-STRIKEN French steel industry is to shed around 16,000 jobs in little more than a year as part of a plan to return to profitability and complete its modernisation. Together with this shrinkage of 10 per cent in the workforce, an investment programme of some Frs.12bn. (£1.4m.) from State agency sources and the industry's own efforts is contemplated to replace the oldest of the steel-making installations in the two northern steel areas, Lorraine and the north-west frontier region with Belgium. It is in these two areas that the bulk of the redundancies will occur.

The figures for redundancies as such as opposed to job loss are rather less impressive. All told some 4,000 workers will find themselves without a job, which a good half will be immigrants. The remainder will be those reaching the age threshold of 56 years and 8 months and beyond who will move into early retirement on terms still to be fully thrashed out with the unions but which may include one year's pay at 90 per cent of finishing rates and falling to 70 per cent thereafter.

The worst-hit region will be Lorraine, the traditional steel-making part of France, adjacent to Luxembourg and Germany, whose growth was based on local supplies of iron ore. The industry has already lost 10,000 jobs in this region since the start of the decade, and a number of towns heavily dependent on the steel industry to provide not merely wages but municipal taxes are likely to suffer long-term decline. Although the Government is affording priority to the area in getting new industry, there are few real hopes for substantial investment. The motor industry specifically is expected to create employment in the region but its investment plans are either already being fulfilled or insufficiently mature to be able to be phased in with the decline in steel employment.

The investment programme actually cost it closer to Frs.61bn. of which two-thirds was borrowed. When the latest recession struck, the French industry had not yet taken full advantage of modernisation and, in any case, produced around a quarter of its production from old plant. The decline in production caused by the recession was not accompanied by anything like a proportional decline in labour force, partly reflecting the Government's dislike of redundancies and partly misjudgment over the likely length of the crisis.

The new investment plan is the third such programme for the overwhelmingly private sector French steel industry sharp deterioration in France's

since the war. The steel industry itself would be tempted to complain that the problem has been not so much development plans but the successive "non-development" plans imposed by governments in the shape of control of prices in the interests of supplying cheap essential industrial raw materials for France's industrial transformation.

The first big programme got underway in the mid-1960s, geared to a restructuring of the industry. This saw the emergence of the two giants of the industry in the shape of Usinor (7.9m. tonnes and 41,000 workers last year) and Sacilor-Sollac (5.9m. tonnes and 49,000). The two companies control 85 per cent of the Mediterranean coastal installation at Fos near Marseilles which last year produced 1.8m. tonnes out of a capacity of 3.5m. tonnes. It was originally intended that this plant would double in capacity to around 7m. tonnes to become, along with Usinor's Dunkirk installation, the show-piece of the French industry. The latest plan eventually shelves sine die ultimate Fos expansion.

Investments

The first half of the present decade saw the modernisation of installations. It was during this period that Usinor's Dunkirk plant doubled to 8m. tonnes capacity; that Sacilor opened its Gandrange plant in Lorraine and that Fos built up production. Investments over these five years ran at almost Frs.22bn., but the shrinkage of jobs in Lorraine was more than compensated by the expansion of employment in Dunkirk and Fos, so that by 1975 the French industry was employing more people in its modernised plants than it had done in its old installations.

Altogether in the post-war period it is estimated that the French steel industry invested around Frs.46bn., which, including charges and repayments, actually cost it closer to Frs.61bn. of which two-thirds was borrowed. When the latest recession struck, the French industry had not yet taken full advantage of modernisation and, in any case, produced around a quarter of its production from old plant. The decline in production caused by the recession was not accompanied by anything like a proportional decline in labour force, partly reflecting the Government's dislike of redundancies and partly misjudgment over the likely length of the crisis. The collapse of orders and the sharp deterioration in France's

steel trade position, together with the increasing activity of Third World producers on non-EEC markets where Community producers had traditionally been an important suppliers came on top of the persisting structural weaknesses of the industry to create a situation of frightening financial vulnerability.

Cash flow was Frs.2.5bn. in the red in 1975 and Frs.2.2bn. in the red the following year. Long and medium-term debt at the end of 1976 at Frs.33bn. exceeded sales for that year. This year the industry will have to find Frs.3.6bn. in financial charges; and loan repayments

But at the same time it

average 9 per cent of turnover will in 1977 succeed in excess of Frs.1bn. and will do no better.

The Government is taking a hard-headed attitude to the involvement in the new programme. It refused all pleas for a ment except for asking Usinor to hold up closure of its furnace at Thionville—the company's last plant to be closed with the closure of this associated mill. The industry itself is only getting a reprieve in financial life.

CONTINUED ON NEXT PAGE

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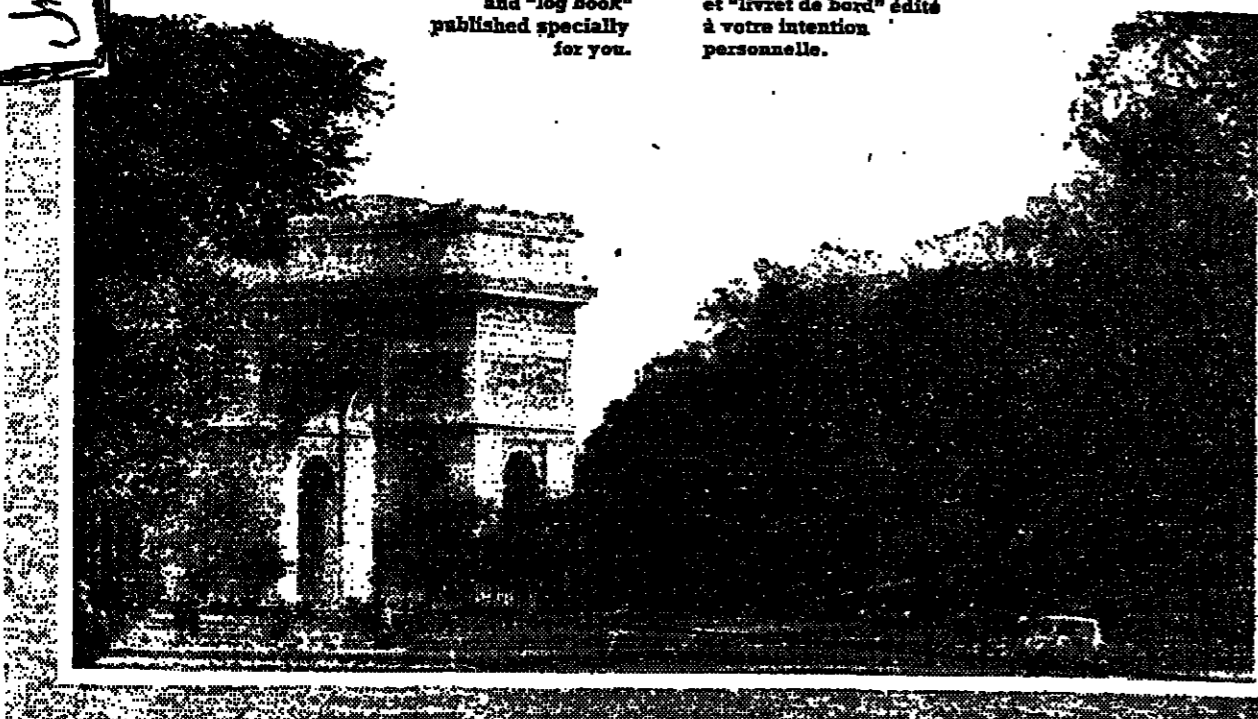
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Le calendrier des travaux. Il est conçu pour que, dès maintenant, vous puissiez vous décider sur les aménagements intérieurs que vous souhaitez: dans le cas où vous en souhaitez d'autres que ceux prévus par l'architecte et le décorateur.

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In terms of turnover, the French have the strongest computer software and services companies in Europe. But while the industry is being restructured, an operation which is almost complete, strong industry and political objections could mean that problems will arise if new targets are not met.

Computers

OVER the bar the shorting... comment on the controver... reorganisation of the French... industry would ring... ne if it were not for Socialist... us to nationalise the new... rench computer company, CII... oneywell Bull, if the Left... ies to power at the 1978... tions.

which recently announced plans... to take on another 700 at its... Montpellier plant... Another source of discontent... lies in the "peri-informatics"... industry—the sector which deals... with all the increasingly impor... tant hardware outside the cen... tral computer, like mini-com... puters, terminals and periph... erals. Suppliers in this very... active field in France feel... threatened by what they see as... poaching by CII-HB on a market... which they had been encouraged... to consider as their exclusive... preserve.

estimate of the costs to the... state of converting their exist... ing CII systems to new prod... ucts from CII-HB... Critics of the Government... strategy have recently concen... trated their efforts on the pro... gramme of guaranteed orders... The projected public sector... need over the four years 1977-... 80 is Frs.95bn, worth of equip... ment including both central... computers and peri-informatic... hardware. The implication is... that if the public sector is to... fulfil its commitment to CII-HB... it will have to take almost all... its central computers from CII-... HB. The terms of the deal make... it unattractive to do otherwise... If there is a shortfall in the... Frs.40n order programme, then... the government is pledged to... pay 55 per cent of the differ... ence.

sure their budgets are fully... spent. However, the terms of... the Government agreement... with CII-HB mean that the... orders have to be taken before... the summer.

Hardware

Apart from these admitted... problems, the Government is... now prepared to concede that... CII-HB will also get a larger... share than originally foreseen... of peri-informatic orders. The... proportion of computer expendi... ture represented by hardware... other than the central compu... ter has grown much faster... than was apparently expected... To make up for the relative... decline in CII-HB's potential... central computer market, it is... now expected that CII-HB will... be given around a third of... public sector peri-informatic... orders by 1980. This, it is... argued, will still leave an... adequate market for the peri-... informatic firms.

as the sales figures would... indicate.

Both Thomson and CGE have... been consolidating their com... puting activities. CGE's services... subsidiary, Générale de Services... en Informatique, has recently... gained a foothold in the U.K... with the takeover of London... based CRC (Cybernetic... Research Consultants). Other... names which are making... progress quietly are Logabax... office computer and printer... manufacturer, which last year... achieved foreign sales of... Frs.200m, Benson, a graphic... equipment supplier, and Réali... sations Etudes Electroniques, a... French microcomputer pioneer... just beginning to draw in... royalties from its U.S. licensee... Warner and Swasey.

The French still have... Europe's strongest software and... services companies, at least in... turnover terms. These are due... to come next under the industry... ministry spotlight after a couple... of years in the wings.

French computer firms can at... least console themselves that... the bitter public debate over... the CII-HB merger has made the... average Frenchman, not to men... tion Government officials, much... more aware of the computer... than their British counterparts... —even if there is more than a... trace of envy over the recent... successes of ICL in the U.K.

But the hostility of the... French Press towards the... merger and its consequences... still seems to astonish both... Jean-Pierre Brulé and the... Industry Ministry cabinet. The... Government line is that too few... commentators take a close enough... look at the economics of the... new deal.

The aim is not to launch a... new Concorde," said one Gov... ernment advisor, closely... associated with the new look for... French industry. Attitudes, not... least towards IBM's market... domination, are studiously... realistic. One thing which is... not excluded is further aid to... CII-HB after 1980 if such help... is needed to enable the com... pany to make important tech... nological breakthroughs.

Andrew Webber

For on the face of things... of the restructuring is... ther completed or well under... way. The Compagnie Inter... nationale pour l'Informatique... H. Honeywell Bull, to give it... a full title, will be a year old... as of July 1. The Government... has laid down firm policy guide... lines and offered financial aid... to the other sectors of the... industry. The big electronics... groups, Thomson, CSF, and... Compagnie Générale d'Elec... tricité, have continued to build... up their computer activities.

Estimates

CII-HB has even published a... list set of results, which says... its president, M. Jean Pierre... Brulé, meet initial targets... (however, last September, the... company partly reassured... sceptical users with outline... plans for bringing together the... large number of incompatible... computer ranges which it... imports.

As a by-product of achieving... an increased market share, the... company is expected to be in... the black by 1980, with sales... fighting going on. Few... extensive packages of Government... industry and political... factors to remain totally aid... on even discounting the... aid for fresh negotiations with... remains "insensitive" on... interference. Honeywell... formation Systems, if CII-HB... nationalised.

The summering concern over... this problem burst out earlier... this year when there were... reports of Government orders for... CII-HB kit falling behind... schedule and of Government encour... agement for State bodies to buy... their peri-informatic equipment... from CII-HB. These issues have... been largely glossed over in... the last few months. At the... time it was suggested that the... stories were leaked as part of... the political battle involving... Industry Minister Michel... d'Ornano's candidature for the... mayoralty of Paris.

But in the last month, the... Government has come out with... a statement calling for minis... teries to accelerate their acqui... sitions of CII-HB equipment... The official reason for this Gov... ernment whip cracking is the... problem caused by the actual... date of the merger. Government... purchase decisions traditionally... come in the last four months of... the year, with a big surge in... December as departments make

Though the CII-Honeywell... Bull merger and its ramifica... tions have drawn the most... political attention and com... ment in the past couple of... years, plans for other sectors... of the industry are also impor... tant elements in French... strategy. The Government... offers "growth contracts" of... financial aid and other back... ing in exchange for commit... ment to fixed turnover, export... and employment targets. Nego... tiations are currently under... way with half a dozen com... panies in the peri-informatic... sector—and several contracts... have already been concluded.

One such is with SEMS... (Société Européenne de Mini... informatique et de Systèmes),... now a Thomson CSF subsidiary... which combines the former CII... minicomputer interests with... the minicomputer side of Télé... menisque. What is still seldom... realised, particularly by the... Americans, is that SEMS is now... around seventh or eighth in the... world minicomputer sales... league tables. Most of its sales... are still in France and its posi... tion is probably not as strong

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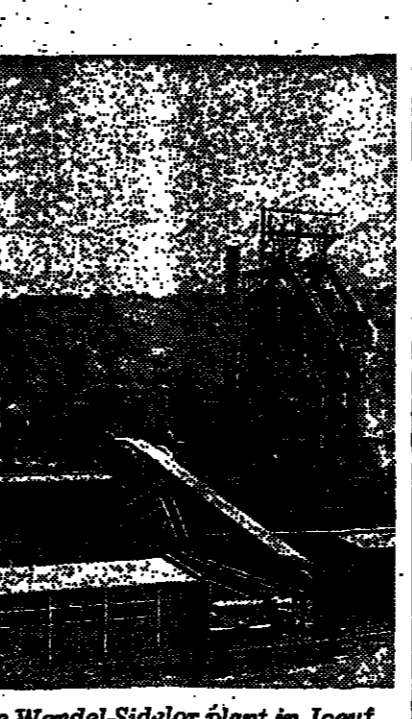
CONTINUED FROM PREVIOUS PAGE

government is resolute that it will not pick up the pieces for the industry without a parallel effort by the companies. It is establishing a powerful inter-ministerial monitoring committee to make sure that the engagements given by the industry in the question of social and financial matters are honoured. In addition, the main controlling groups will have to deposit part of their holdings with a government agency as security for the loans to be extended to the industry through the Government's soft-loan social and economic development fund FDES, which normally offers a 1 per cent discount on market rates.

As for the investment programme itself the industry's federation foresees Frs.8.5bn being spent by the end of the decade, with total needs of the industry for all purposes at Frs.24.3bn. Of this some two-thirds will have to be borrowed. Looking to an improvement in the market the federation expects gross industry cash flow to add up over the four years to 1980 to around Frs.23.7bn, leaving net profits after loan repayments and tax of some Frs.6.25bn.

These calculations rest on a number of assumptions. The first is that the net Frs.2.6bn losses expected by the industry this year will gradually be converted to a profit of Frs.4.4bn by 1980. The second is that over the same span production will recover to around 28.5m tonnes in 1980, while prices will increase by 40 per cent over the same period. If these expectations are correct the industry can expect turnover to top Frs.56bn in 1980, and cash flow to be in the order of Frs.30bn. Equally, fulfilment of these prognostications would permit indebtedness to shrink from 104 per cent of turnover last year to some 70 per cent, though the actual amount of debt carried would be higher at around Frs.39bn.

Calculations also rest rather more indefinitely on certain external developments. The first of these is that measures should be taken within the EEC to stop suicidal competition on prices and to co-ordinate invest-



A blast furnace at the Wendel-Sidelor plant in Joaze.

ments. France was the first country to demand that the full emergency powers of the European Coal and Steel Community (ECSC) should be exercised to fix prices and control production. Two years afterwards the ECSC has moved towards meeting this demand by fixing certain reference prices and laying down production guidelines, although it has consistently declined to take direct action to limit imports.

France would also like to see international negotiations aimed at bringing order into the international steel market, arguing that as the industry's problems are essentially structural rather than simply the product of economic circumstances it requires an international understanding covering investment intentions and trade to provide individual national industries with the mood of confidence needed for them to organise their recovery.

There is a final circumstance which could of course take everyone back to basics. This would be victory by the Socialist-Communist coalition in next year's general election. The Socialists are committed to taking a sufficient stake in the

David Curry

Logo: UBAF (Union de Banques Arabes et Françaises) with a globe. Text: UNION DE BANQUES ARABES ET FRANÇAISES - U.B.A.F. "Le France" 4, rue Ancois 92521 Nanterre-sur-Seine Cedex. TEL: 747.7242 - CABLE: UBAFRA - TELEX: 010334 & 010340. Agencies: UBAF TOKYO BRANCH, UBAF BAHRAIN BRANCH. Banques affiliées: UBAF BANK LIMITED, UNIONE DI BANCHE ARABE ED EUROPEE - U.B.A.E. (Italia) S.p.A., UBAF - ARAB JAPANESE FINANCE LIMITED, UBAF ARAB AMERICAN BANK.

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The Carter puzzle

BY JUREK MARTIN, U.S. Editor

DEMOCRATIC PRESIDENTS are supposed to act in predictable ways, but that's not necessarily the way it is with Carter.

Even now, after five months in office and after five months which have seen a profusion of policy initiatives domestic and foreign, there is uncertainty in Washington about Jimmy Carter.

In Washington, this is expressed in a kind of guessing game: which 20th century American president does Mr. Carter most resemble?

Those in the Congress, with

a revised taste for congressional authority and their own vested interests to protect, have waxed hot and cold towards Mr. Carter.

In the country at large there seems much less uncertainty. Every known public opinion poll gives Mr. Carter good marks for both his style and performance on every subject.

A consensus judgment from these three sectors, if it can be fairly arrived at, would probably give President Carter high marks for his energy and imagination, and lower marks for practicality and tact.

Those in the Congress, with

that he would never be bound by any notional first 100 days or the like, that is no mean record.

But it is not merely against the volume of administration proposals that Congress has been protesting. The word in Washington before Mr. Carter got here, based on his record during one term as Governor of Georgia, was that he was a man with a good common touch.

Congress

Upon occasion in the last couple of months these Georgian dramas were nearly replayed on the bigger Washington stage, particularly when the House Ways and Means Committee began mauling President Carter's energy programme.

At least for the moment, the new spirit of compromise with Congress is paying dividends. With Mr. O'Neill's advice and some much-improved congressional liaison by his own staff, the Administration has been able to savour some successes on Capitol Hill.

Those in the Congress, with

was clear that, notwithstanding the contrary notwithstanding, the President was not listening enough to the Speaker.

Yet Mr. O'Neill, with remarkable perseverance, ignored the indignities heaped upon him, if inadvertently, by the bright young men of the new Administration and persisted in "educating" Mr. Carter about the mysterious ways of Congress.

At least for the moment, the new spirit of compromise with Congress is paying dividends. With Mr. O'Neill's advice and some much-improved congressional liaison by his own staff, the Administration has been able to savour some successes on Capitol Hill.

But at least it can be said that Mr. Carter, if not building a Carter constituency in Congress, is learning the time-

honoured Washington art of getting along. The same can be said of his Administration, whose early, perhaps over-ambitious policy, forays were sometimes more headlong than considered.

There was, it is now admitted, a lack of true intra-Administration co-ordination in the first weeks. Mr. Hamilton Jordan, the White House adviser on politics, is the sort of man who writes things down on the backs of envelopes or keeps them in his head, and ideas and messages were not always delivered.

There is no southern bloc for Mr. Carter — there is not even a Georgia bloc that he can go back to time and time again for support. He has no ideology, so there is no ideological bloc. He ran against the Democratic Party in the election and beat it, but he did not form any Carter coalition.

But at least it can be said that Mr. Carter, if not building a Carter constituency in Congress, is learning the time-

so high, and because the talent in the new Government seemed so considerable. Things are working much more smoothly now under the direction—and pressure—of the President himself.

There is another story, apocryphal perhaps, doing the rounds that when Mr. Schlesinger, who has a considerable reputation for intellectual arrogance, addressed cabinet meetings under President Ford he would talk to the session collectively, not to the President directly, in the accustomed manner.

But the evidence now is that others are not excluded. Mr. O'Neill instead. Though not a member of any inner circle, Dr. Arthur Burns, conservative Chairman of the Federal Reserve Board, has the President's ear—to the horror of liberal Democrats. When Mr. Alan Greenspan, President Ford's equally conservative economic guru, praised Mr. Carter's economic policies, that horror was compounded.

But, as Mr. Jordan has explained, Jimmy Carter is not a predictable President: the broad parameters of compassion on were to conclude that he is social matters, liberalism on counterproductive. That time race, and conservatism on fin- has not even remotely been and disguise many surprises approached, and never may be, and contradictions.

It is clear that Mr. Carter does rely for advice on a select group of trusted aides—Mr. Hamilton Jordan, Mr. Jody Powell, his Press Secretary, Mr. Stu Eizenstat, White House domestic counsel, Mr. Zbigniew Brzezinski, head of the National Security Council, Mr. Young, Mr. Bert Lance, of the Budget Office, and, most particularly, Vice-President Walter Mondale.

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Whom among these Democratic Presidents does Jimmy Carter most resemble? From left to right: Franklin D. Roosevelt (1882-45), Woodrow Wilson (1856-99), and Grover Cleveland (1837-97).

Letters to the Editor

The vexed debate on Current Cost Accounting

from the Chairman, the Inflation Accounting Steering Group

Sir—I would like to thank Andy Custis for his letter (June 1). In it he says that more assurance that the Morpeth committee will accept suggestions made in the submissions could be welcome.

from Mr. J. S. Dutchman-Smith

Sir—I refer to your article and the Special Meeting (June 22) concerning the Inflation Accounting of the Institute of Chartered Accountants on the subject of current cost accounting.

accounting is vital and without it business is at risk. I would comment that it is desirous that valuation accounts (commonly called inflation) are presented, as they will show how inflation could be affecting the company.

"Historical accounts for all sizes of companies are misleading." This would imply that current cost accounts are not misleading. With multi-option indices etc, CCA would probably be more misleading. CCA is presumed to represent value to the business, but this may often be construed as value of the business, which is fallacious as only on a sale is a value really ever known.

from Mr. G. P. Bartlett

Sir—It is sad, but I suppose inevitable, that this debate should now be reduced to the status of a slanging match. Mr. Custis does his case no good by suggesting that the opponents of compulsory CCA are only seeking some sort of emotional outlet.

too often however we discover that they were wrong.

It is just not good enough for minority groups like the Midland Finance directors, or the Morpeth committee, or the Council of the Institute to tell us that the rules they are trying to impose are for our own good and should go through unopposed.

What this vote is really about is the right of the minority to remove from the great majority their freedom of choice and judgement. It is essential for the health of the profession that practising accountants should be free to advise their clients on the pros and cons of the alternative bases of accounting, and that accountants in responsible positions in industry and commerce should be in a position to guide their companies in the most appropriate direction depending on the circumstances of each case.

from Mr. Allen Mallinson

Sir—It would not be proper for me, a cost management accountant, to comment on the domestic row which is going on within the English Institute of Chartered Accountants, but in so far as the ICMA is a governing body of the Accounting Standards Committee, and therefore party to the published SSAPs and EDIS in particular, the matter is of concern to the 15,000 ICMA members practising in industry.

distribution of wealth than with creating it. Ordinary members of the public might be forgiven for thinking that the only thing which matters is the discovery of profit. This I had always believed to be the lesser thing, for if there wasn't a profit, no system of accounting could discover it.

We just don't, as a nation, as educationalists, as accountants, pay enough attention to the insights which create wealth. Accountancy is one of those things. Spare a thought, then, for the industrial accountants serving the needs of management. They cannot settle for historic figures. They must operate into the future.

from Mr. Simon Cawkwell

Sir—The reason why accountants are likely to vote against the introduction of inflation accounting is because they know that it is going to be very costly to operate.

feel the urge to warn the public of the administration and accounting costs arising from legislation. This time, they do: truly, the public have been warped (including, dare I say it, yourself).

from Mr. John Tilbrook

Sir—in your editorial "Accountants against reality" you state that if the members of the Institute of Chartered Accountants in England and Wales vote against the compulsory introduction of current cost accounting they will make themselves "look uncommonly silly."

from Mr. Roy Grantham

Sir—The reason why accountants are likely to vote against the introduction of inflation accounting is because they know that it is going to be very costly to operate.

Fourteen trade unionists write on Grunwick dispute

the trade union movement and whether the merits of the APEX case in the blood spilled in the streets and the publicity-seeking arrests of outsiders.

The union involved is APEX and is responsibly led by Roy Grantham, general secretary, with a number of prominent members of Government in membership. The APEX case is reasonable and Mr. Grantham has appealed for restraint and an independent inquiry and conditions that a limited number of pickets is quite adequate to do the job.

—the sack if they join the union; intimidation if they don't. This is a situation created by extremists of the Left and Right who are doing irreparable harm to the trade union movement.

We urge all responsible trade unionists to support the APEX general secretary and not to be exploited by the hoodlum elements whose aim is to promote political chaos.

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We urge all responsible trade unionists to support the APEX general secretary and not to be exploited by the hoodlum elements whose aim is to promote political chaos.

To-day's Events

GENERAL Government White Paper on transport policy published.

Tripartite Conference of BEC Government, employers' organisations and trade unions, Luxembourg.

EEC Fisheries Ministers meet, Luxembourg.

Tenth session begins of Standing Conference, European Ministers of Education, Strasbourg (until June 30).

Three-day public hearings of Advisory Committee on Asbestos, Health and Safety Commission, at Institute of Marine Engineers, Mark Lane, E.C.3.

Public inquiry opens into proposed 2400m. petrochemicals complex by Shell/Esso and Esso Chemicals at Mossnorrain, Fife.

Sir Robin Gillett, Lord Mayor of London, opens City of London Jubilee Garden, Cavendish Court, Houndsditch, E.C.3, noon.

Demonstrations, sponsored by Courtaulds, of restoring ancient textiles, Museum of London, London Wall, E.C.2 (until July 17).

Parliamentary Business House of Commons: Post Office Bill, remaining stages. Motions on Social Security Benefits Up-rating, Child Benefit, and Supplementary Benefit Orders. Local Authorities (Restoration of Work Powers) Bill, remaining stages. Financial Assistance for Industry (Increase of Limit) Order. Debate on report from Committee of Privileges on Oxford Peerage case. Rent Bill, committee. Protection from Eviction Bill, committee. Control of Food Premises Bill, report stage. Insurance Brokers (Registration) Bill, committee. Rent Charges Bill, committee. Control of Offices Development Bill, second reading. Debate on vagrancy and street offences.

OFFICIAL STATISTICS Bricks and cement production (May).

COMPANY MEETINGS See Week's Financial Diary on page 12.

LUNCHEON MUSIC Paul Roberts gives piano recital, St. Lawrence Jewry next Guildhall, E.C.2, 1 p.m.

John Brown AND COMPANY, LIMITED

Preliminary announcement of results to 31st March

	1977	1976	
	£m	£m	
Turnover	214.7	168.4	
Profit before taxation	10.9	1.7	
Taxation	4.3	1.2	
Profit attributable to Stockholders	6.6	.5	
Dividends	1.2	.4	
Profit retained	5.4	.1	
Earnings per Ordinary stock unit	42.4p	3.3p	
Dividend covered (times)	5.4	1.3	
Return before taxation on Stockholders Funds	25.1%	4.8%	
STATEMENT OF RETAINED PROFITS AND RESERVES			
	£m	£m	
31st March 1976	21.3	18.0	
Prior year—increase in stock valuation	.4	.4	
Opening reserves restated	21.7	18.4	
Increase on revaluation of investments	—	1.8	
Foreign exchange adjustments	.5	1.4	
Profit retained	5.4	.1	
31st March 1977	27.6	21.7	
Analysis by Activities			
	1977	1976	1976
	£m	£m	£m
Machine Tools	48.3	2.6	.5
Process Engineering and Construction	62.1	4.1	(7)
Gas Turbines and Specialist Fabrication	52.1	2.7	1.3
General Engineering and Miscellaneous	52.2	2.4	1.3
	214.7	11.8	168.4
Deduct			
Corporate interest and charges less investment income	9	.6	
Profit before taxation	10.9	1.8	

1. CJB and JBE Gas Turbines had a good year. There was an improvement at Wickman, despite continued recession in machine tools, and a reasonable performance elsewhere.
2. The Group profit of £10.9m is after providing £2.0m to cover exceptional costs resulting from lack of orders for specialist fabrications at JBE Offshore.
3. Bank borrowings were reduced to £9.3m from £24.0m a year earlier.
4. Agreement has been reached to sell A. C. Wickman (Canada) for some £2.3m.
5. Orders on hand at the year end were £176m compared with £134m at March 1976.
6. A Second Interim Dividend will be declared on the 18th August 1977 payable on the 6th October 1977 of 5.2p or such larger amount as would reflect any reduction in the rate of ACT.
7. The Directors expect an improved profit in the current year given reasonable economic order.

Report and Accounts passed 7th July, Annual General Meeting 26th July 1977.
Dividend payable 6th October 1977.

Copies available on request to The Registrar, John Brown and Company, Limited, 8 The Sanctuary, London SW1P 3JW.

COMPANY NEWS + COMMENT

ISSUE NEWS AND COMMENT

City Hotels quote

Arrangements have been completed for the quotation of City Hotels Group's shares following a placing by Barclays Merchant Bank of 1.1m Ordinary 20p shares at 60p per share. Proceeds of the placing will be used to repay directors' loans to the company amounting to £208,598 and to purchase a minority interest in Dayville for £106,000. The balance of the net proceeds will be used for working capital. City Hotels has three trading operations. The hotel division, which operates a total of 1,100 beds in several hotels, produced profits of £44,000 in 1976 on a turnover of £1.1m. The "Strikes" restaurant (plus three Wimpy franchises) operating "middle-market" licensed premises specialising in hamburgers and pizzas. Profits from that operation show a 10 per cent increase to £11,000 during 1976. Family share is the "Dayville" ice cream manufacturing and retailing business currently operating through 74 ice cream parlours (73 of which are run by the group). The company bought its first stake in Dayville in February 1976. Profits last year amounted to £191,000 on sales of £1.2m. It is the company's intention to increase the number of Dayville franchises to 250 over the next five years.

In view of the seasonal nature of the business no forecast is being made for the current year to end December 1977, but management accounts for the first five months show that both turnover and profits are ahead of the comparable period. It is the directors' intention to pay net dividends of 3.5p per share for the current year payable August 1977.

Prospectus, Pages 8 & 9

Norcros holds £12m. despite Hygena losses

AFTER BEING marginally lower at £4.50m, against £4.7m, in the first six months Norcros has made up this lost ground in the second half to finish the year to March 31, 1977 all square at £12.06m.

At mid-term the directors explained that the reduction was due to lower demand for consumer goods, Hygena kitchens in particular. However they said that the plan to increase overseas earnings was showing results.

Group sales in the year rose from £155.9m to £173.9m. Sales in the U.K. showed little change, while exports from the U.K. jumped from £10.28m to £16.85m, and overseas sales moved ahead from £16.42m to £20.85m.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available whether dividends concerned are interim or final and the divisions shown below are based mainly on last year's timetable.

TODAY
 Fisons: Norman Smith, Joseph Leopold
 Investment Land Securities Investments
 Trust, Same.

FUTURE DATES
 (Intervening Dates)
 Bakers Household Stores (Leeds): July 5
 Best Bros: June 28

Chern Securities	June 28
Kershaw (A.) and Sons	July 15
Kingsley (Robert) Taylor	July 15
News International	June 28
RKT Textiles	July 15
Rakusson Group	July 28
Rank Organisation	July 15
Rank Precision Industries	July 15
Whitworth, Trust	July 5
Fluor	July 15
Adia International	July 15
BET Omnibus Services	July 28
Barnwood Brewery (Forwards)	July 28
GBI	July 5
Grubham Wood Steel	July 7
Jackson J. and B. S.	July 7
London and Midland Industrial	June 28
Wilson Bros	June 28

Reflecting a reduced tax charge the balance attributable to Ordinary holders emerged ahead from £3.71m to £7.67m, producing earnings per 25p share of 13.93p (11.23p).

The dividend total is increased from 3.6p to 3.96p, with a final of 3.46p net.

1976-77	1975-76
Group sales	155.90
U.K.	128.97
Overseas	26.93
Exports from U.K.	10.28
Overseas	16.65
Share of associates	14.48
Trading surplus	12.93
Associates	1.21
Investment income	1.21
Making	13.74
Interest payable	2.81
Surplus before tax	12.93
Taxation	3.98
Net surplus	8.95
Pre-acquisition losses	1.12
Minorities	8.19
Preference	1.19
Earnings on Ordinary	7.67
Extraordinary items	93
To reserves	5.98
Ordinary dividends	3.20

All of these experienced sluggish activity in the U.K. but buoyant conditions in the export markets. 1977/78 and production has been planned to increase output by some 25 per cent. Figures for May and June are encouraging and progress is being maintained.

Readicut growth to continue

MR. P. J. CROSETT, chairman of Readicut International, says that with continued capital expenditure, its acknowledged leadership in many fields and plans for further growth ensure that the fortunes of this Yorkshire-based rugmaking kits, knitting wool and floor coverings group will continue to prosper.

But to forecast the outcome for 1977/78 in the present climate of very slow economic recovery would be unwise, he adds. The major areas of doubt lie in the uncertainties of consumer sales in reaction to higher prices and the effects of price controls both in the U.K. and in some other countries.

As reported on May 18, pre-tax profit in the last full year rose by 28.9 per cent from £5,599,844 to £7,218,573. Net final dividend of 0.9877p lifts the total from 1.1353p to 1.42p.

External sales were up 39 per cent to £19.12m, to £27.72m, while exports from the U.K. increased by 67 per cent from £10.96m to £17.85m.

The group's policy of giving priority to investment in new

Robertson Foods sees expansion

With the benefits coming from the company's investment programme at Viota, Mr. Christopher Robertson, chairman of Robertson Foods, is confident of a significant increase in profits in the current year.

In his annual statement, he says that the directors believe growth in future will come from three sources. Firstly, from the expansion of existing product ranges, secondly the development of new products, calling for an increase in the appropriation for research, and thirdly by the acquisition of other companies.

As reported on May 27, for the 53 weeks to March 31, 1977, taxable profit was better at £2.58m, against £2.27m, for the previous 52 weeks. Sales were up at £53.27m, (£45.94m). The net dividend is lifted to 8.12p (4.66p) per 25p share.

As profit kept up with inflation with a 14 per cent rise, and as no U.K. tax was payable because of stock and investment valuations, cash flow improved the chairman says.

Viota maintained its market share during 1976/77 and in recent months has shown a marked improvement in sales.

The major investment programme in breakfast cereals has been completed and production is beginning to build up slowly. Demand for these products remains in excess of capacity Mr. Robertson reports.

Exports sales volume rose by a third and profit, doubled, and prospects continue to be excellent, he adds.

Meeting, Beckenham, July 21, at 10.30 a.m.

Sotheby offers 3.85m. shares at 150p each

The prospectus is published to-day for the Offer for Sale of 3.85m. Ordinary 25p shares in Sotheby Parke Bernet Group at 150p each to raise £577.5m. Of the offer a total of 3,274,367 shares are being made available by existing shareholders and 575,633 are new shares. In addition to these new shares, 100,000 shares are being submitted at the offer price of 150p by Lane Crawford which which the company has a joint venture in Hong Kong.

Sotheby claims to have the largest volume of sales of any international fine art auction house, with auction rooms or representative offices in 26 different cities. More than 80 per cent of the last two completed seasons were made in the U.K. and the U.S.

The vast majority of lots sold at auction realise relatively modest sums, though there is a substantial number of lots of high value.

The earnings record shows a volatile performance. In the year to September, 1972, the group made a profit before tax of £1.67m, and earnings per share of 7.7p. In the year ended last August profits were £3.35m, and earnings 17p, though at one point the profit dropped for the 11 months to August, 1975, to £1.1m, and earnings of 4.3p per share.

In the first six months of 1977 profits were £1.94m, and earnings per share 9.4p. The directors are forecasting that pre-tax profits for the full year will not be less than £4.6m, or earnings of 20.68p on the enlarged capital.

Net tangible assets at 31 August 1977, are indicated at £10m, equal to 91.7p per share.

The application list will open on Thursday, June 30.

The offer is made by Kleinwort Benson, N. M. Rothschild and Sons and S. G. Warburg. Brokers to the issue are Cazenove.

Sotheby Parke Bernet, largest art auction house in the world, cannot match the profitability of its half-sister rival Christie's. International level of net assets against pre-tax earnings. Christie's last year produced a remarkable £3.66m, on £4.07m, with Sotheby to August 1976 making £3.35m, on £3.74m. But the new figures show financial control at Sotheby is also indicated in a progressive reduction in net working capital needs. From a £6.8m peak in 1974, last year's £2.7m was down below even 1973 levels on revenue three quarters higher. At the half-year to this February, though, although Sotheby's current assets were entirely financed by creditors, and the cash flow strength has been used to repay a £2m Dutch-guilder loan, leaving £7.5m of virtually unencumbered fixed assets. The property provides the backing for Sotheby which net assets of over 90p a share (Christie's 20p) which, along with overseas earnings potential, particularly in the U.S. where real estate brokerage is now included.

On this basis it is their intention to recommend a final dividend of 5p net per share, or 7.66p gross. If the company had been listed for a full year, the directors would have expected to pay a gross dividend of 12.66p for a yield of 8.46 per cent, at the offer price covered 2.5 times.

On the basis of the profits projection the p/e is 7 1/2.

Lyon & Lyon forecasts 6p

The Lyon and Lyon chairman has written to holders stating that the directors, their families and certain other holders representing 32.85 per cent of the equity intend to reject the offer from Clyde Petroleum.

The letter contains a forecast of dividends totalling 9p net for 1977 for which Treasury consent has been given. In addition, the directors expect the profits for the year will be a record in the first three months a trading figure of £177,082 was achieved on a turnover of £1.32m.

H & C spending plans

CONSIDERABLE capital expenditure is envisaged for the current year and for some years ahead at Harrison and Crosfield, Mr. J. F. Gilchrist, the retiring chairman, says in his annual statement. This expansion will be mainly directed towards the development of industrial divisions particularly British Chrome and Chemicals and Durham Chemical Group.

The company has had a good start to the current year and the figures are well in line with a year ago.

The large rise in profit at British Chrome was mainly due to output rising to a new high level and an increase in the proportion of the more technically advanced products in total sales. It is expected 1977 will see further advance in both these respects, the chairman states.

There was a satisfactory increase in profit for Durham on July 20 at 11.13 a.m.

These notes having been sold, this announcement appears as a matter of record only.

US \$35,000,000

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Genossenschaftliche Zentralbank AG Vienna	Antony Gibbs Holdings Ltd.	Girozentrale und Bank der österreichischen Sparkassen Aktiengesellschaft	
Goldman Sachs International Corp.	Groupement des Banquiers Privés Genevois		Hambros Bank Limited
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S. G. Warburg & Co. Ltd.	Westdeutsche Landesbank Girozentrale	Wood Gundy Limited	Yamaichi International (Europe) Limited

FT Share Information Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

International Rectifier Corporation (section: Overseas - New York) London Prudential Investment Trust (section: Investment Trusts).

BRITANNIA BLDG. SOCIETY

Britannia Building Society achieved further rapid growth in the half year to June 30, 1977. Total assets increased by £70m. and now exceed £80m.

Some loans completed amount to £75m. and those approved but awaiting completion exceed £42m.

The society has in mind a target of some £100m. home loans for 1977. Reserves have grown from £28m. to £38m. and the ratio of reserves to assets has increased from 3.8 per cent. to 4.0 per cent.

SIEMSEN - 91.9%

Siemssen Hunter's rights issue of 851,200 Ordinary shares at 29p per share has been fully subscribed at 91.9 per cent. The balance of 67,219 Ordinary shares has been sold at 35p per share. The net proceeds amounting to 5.92p per share will be distributed pro rata to shareholders.

SIMCO MONEY FUNDS
 Simco Investment Management Co. Ltd.

Rates for deposits of £1,000 and upwards for w/e 26.6.77	
7-day Fund	% p.a. 26.67
Mon.	6.765
Tues.	6.761
Wed.	6.761
Thurs.	6.763
Fri./Sun.	6.802
3-Month Fund	
Wed.	7.125

HARRISON & CROSFIELD

Summary of Group Results	1976	1975
	£000	£000
General Merchants and Services, Shipping and Insurance	6,782	4,521
Manufacture and processing of Chemicals, Industrial Raw Materials, Rubber, Textiles and Engineering Products	5,567	3,878
Production of Logs and distribution of Timber, Glass and other building materials	9,645	3,974
Financial Transactions	698	3
Investment Income and Associated Companies	1,640	1,717
PROFIT BEFORE INTEREST & TAX	24,332	14,073
PROFIT AFTER INTEREST & TAX (After Extraordinary Items)	11,293	5,211
ATTRIBUTABLE TO ORDINARY SHAREHOLDERS (Including Extraordinary Items)	11,314	4,521
Geographical Division of Profit before interest & tax %		
United Kingdom	46	
Asia	31	
North America	8	
Other (mainly Australia, New Zealand and Papua New Guinea)	8	
Investment Income & Associated Companies	7	

Copies of the Report and Accounts are obtainable on application to Transfer Dept. Harrison & Crosfield, Ltd., 1-4 Great Tower Street, London EC3R 3AB

FINANCE FOR INDUSTRY TERM DEPOSIT

Deposits of £1,000-£25,000 accepted for fixed terms of years. Interest paid gross half-yearly. Rates for deposits received not less than 1.777.

Terms (years)	3	4	5	6	7	8	9
Interest %	10 1/2	11	11 1/2	11 1/2	12	12 1/2	12 1/2

Rates for larger amounts on request. Deposits to and from authorized banks. The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 Ext. 177). Cheques payable to "Bank of England, a/c FFI" is the holding company for ICFI and FCE.

This advertisement is issued in compliance with the requirements of the Council of the Stock Exchange. It does not constitute an invitation to any person to subscribe for or purchase any Preference Shares.

FORMINSTER LIMITED

(Incorporated in England under the Companies Acts 1948-1976)

Issue of 1,058,304 10 per cent Cumulative Preference Shares of £1 each

The Council of the Stock Exchange has granted a listing for the above-mentioned Preference Shares. Particulars of the rights attaching to them are available in the Extel Statistical Service and copies of the statistical card may be obtained during usual business hours on any weekday (Saturdays excepted) up to and including 19th August, 1977 from:

Phillips & Drew, Leé House, London Wall, London EC2Y 5AP.

27th June, 1977.

LABOUR NEWS

Ford recall may be hampered by pickets

By David Churchill, Labour Staff
FORD'S ATTEMPTS to recall 13,000 car workers to its Dagenham works to-day may be severely hampered by continued picketing of the factory by striking car assembly workers.
 A meeting of car assembly workers on Friday night—attended by only a quarter of workers involved—decided not to accept a 15-point peace formula to end the 15-day old dispute over lay-off pay which has shut the works down.
 Instead, they decided not to obey the company's recall—indicated at the request of senior union leaders—and to maintain their pickets on the approach roads and gates.
 Mr. Fred Blake, Transport and General Workers Union regional officer, said last night that he hoped the pickets would let through workers at the five plants other than the assembly plant to enable them to hold their meetings on the peace formula. And it was possible that there would be demands from assembly workers to hold another mass meeting to-day at which more workers could attend.
 Ford has lost 13,000 vehicles from the strike, costing £33m. at showroom prices, and has laid off 16,000 workers at three factories.
 The strike started as a protest against a long-standing grievance over failure to be paid lay-off pay. About 600 assembly workers are on strike over this as well as some 200 in the body plant.
 A peace formula worked out last week—which attempted to day's recall—would help to check the number of internal disputes causing lay-offs. But no concessions on extra lay-off pay were granted.

Queue to avoid Phase 2 continues to grow

By Christian Tyler, Labour Correspondent

THE QUEUE of workers ducking a Phase Two pay settlement in the hope of doing better after July 31 continues to grow in spite of TUC leaders' warnings that postponement could help fuel a pay explosion.
 About 8,000 staff at International Computers have refused a Phase Two settlement due this month, partly in order to catch up with a similar number of ICL staff who settle in October.
 In the nationalised gas industry, union leaders of 2,400 high-paid management staff will this week consider a pay demand worth between 38 and 71 per cent.
 Like the rest of the 60,000 gas white-collar workers they are due to settle on July 1. A claim for the bulk of these staff will not be prepared until the outcome of TUC-Government talks is known, probably later next month.
 In the settlement-dodging queue are 37,000 clearing bank turing and customer engineering staff, local in the North and Midlands, and they want a

40,000 Merchant Navy officers, as well as smaller groups in other industries such as Fleet Street journalists.
 In some cases union negotiators are acting in defiance of their own general secretaries. Last week the TUC general council voted 19-4 in favour of a statement that not only must the 12-month gap between principal pay rises be honoured, but that settlements due before July 31 must not be deferred.
Complicated
 The point of the latter instruction is to prevent a build up of delayed claims after the end of next month that would cause a resentment among those who had obeyed and settled under the 22.5p to 24 limits.
 The bulk of the 8,000 ICL staff to refuse a June settlement is complicated by several factors. They are mainly on the manufacturing and customer engineering sides, local in the North and Midlands, and they want a

common settlement date in October with their higher management, and with staff in the marketing division.
 There appears to be a disparity of earnings between the two caused by the timing of pay policies, which could average £800 a year—though the company could not confirm this aspect.
 The biggest union at ICL is Mr. Clive Jenkins' Association of Scientific, Technical and Managerial Staffs. Mr. Jenkins voted against the TUC general council statement last week and said afterwards: "I consider it is now every man for himself."
 The gas staff, mainly members of the National and Local Government Officers Association, are in defiance of their union which recently accepted a Phase Two settlement for its town hall members.
 Their decision to wait could upset NALGO members in electricity supply who have also sided with the North and Midlands groups.

Retirement could hit coal output

By Our Labour Staff

PLANS TO allow Britain's miners to retire at the age of 62 could, by leaving the coal industry short of skilled workers, hit coal production. This follows interviews carried out by the National Coal Board with miners eligible for early retirement on August 1, when the scheme is expected to come into force.
 Between eight and nine miners out of every ten interviewed have expressed willingness to retire early under the scheme agreed jointly by the Coal Board and the National Union of Mine-workers. This could mean some 7,000-8,000 men leaving the industry this summer before adequate replacements were found.
 Meanwhile, the Coal Board has stepped up its recruitment campaign to limit the effects of the loss of skilled miners.

Bid to avert ferry strikes

British Rail has made new proposals to avert a threatened series of 48-hour strikes by men on its ferries at Dover and Folkestone.
 Mr. Dai Davies, branch secretary of the National Union of Seamen at Dover said after a five-hour meeting with British Rail management at the weekend that the proposals would be considered by the seamen's ports committee at Dover to-day.

Scientists' pay

FEARS THAT Britain's senior professional managers would lose to other employees in the next phase of the pay policy were voiced by members of the Association of Professional Scientists and Technologists at their annual conference at Manchester at the weekend.
 Mr. Robert Roberts, secretary of the association, said that the proposals would be considered by the seamen's ports committee at Dover to-day.

Call for industrial democracy experiment backed by professor

By Nick Garnett, Labour Staff

SUPPORT FOR the CBI's proposal for a period of experiment on industrial democracy has been given by Professor Ben Roberts of the London School of Economics industrial relations department.
 Professor Roberts, writing in the Lloyd's Bank Review, criticises the majority Bullock report on industrial democracy for falling

to consider how collective bargaining can be integrated with decision making carried out by a management Board of directors.
 All sides of industry believe that more participation must not conflict with the collective bargaining system, nor undermine the roles of management and unions.
 "What must, however, be rejected is the extreme view that the only form of participation that is meaningful is one which so enhances the bargaining power of the unions that in effect they take over the control of private and public enterprises," he says.
 Apart from a period of experiment on negotiating participation agreements, Professor Roberts calls for alterations in company law to allow more radical forms of "corporate reorganisation" that might meet with the approval of employees and shareholders.

WGI PROFITS IMPROVE IN SECOND HALF

Points from the Annual Report and the Statement by the Chairman, Mr F P S Stammers, for the year ending March 31, 1977:
 ■ In my half year review I anticipated that the second half would produce higher profits and this has been borne out. Profit before tax for the first half was £261,082, and for the second half £501,520 making a total of £762,602 for the year (compared with £1,188,000). The Board recommend a final dividend of 3.7p per share (2.30445p per share).
 ■ Costs arising from the problems of the Civil Engineering Division, caused by cuts in the construction industry, have been offset to a very large extent by a very good performance by the other divisions.
 ■ The Refractories Division has continued to improve its efficiency achieving yet another record profit.
 ■ In addition, United Kingdom Construction and Engineering Company Ltd., concerned mainly with process plant design and construction, has produced its highest ever profit by a large margin.
 ■ On the Mechanical and Process side, Cox & Wright Limited has exceeded its forecast in the year just ended and, with sales now running at twice the level of a year ago, it should continue to make very good progress.
 ■ Tully Engineering Company Limited continues to perform well, whilst West Puro Limited has produced substantial increases in profits each year since it became an independent operating subsidiary in 1974.
 ■ We have formed a new company, West's Prochem Limited, covering engineering management and turnkey project work. The Chemical and Petro-Chemical industry is committed to considerable investment over the next few years, and the new company broadens our interest in this area.
 ■ Construction activity at home remains an uncertain quantity. However orders received in the first two months of the year are back to the highest level achieved by the piling company, albeit with margins that reflect the competitive climate.

WGI WEST GROUP INTERNATIONAL
 Limited
 Loyds House, Alderley Road, Wilmslow, Cheshire SK9 1QA
 Wilmslow (09964) 27488
 Mechanical, Process and Structural Engineering—Civil Engineering
 —Specialist Refractory Manufacture

Brook Street Bureau of Mayfair Ltd.
BROOK STREET BUREAU
 Results for 1976

	31st December 1976	1975
Turnover	10,391,247	10,673,500
Pretax Profit	705,654	678,894
Earnings per share	4.26p	4.25p

 In a modern social democratic society the private employment service has become an essential element of the economy. The duty, always recognised by reputable agencies, of performing this valuable service with integrity is now supported by the recent implementation of the Employment Agencies Act 1973. For almost thirty years Brook Street has been pre-eminent in the field and I am confident that it will continue to be so.
 Eric Hurst, joint chairman, 47 Davies Street, London W1Y 2LN
 Brook Street Bureau got big by botheing

HEADLAM, SIMS & COGGINS LTD.
 SALES INCREASED BY 28%—PROFITS BY 54% IN A RECORD YEAR ON ALL FRONTS
 Extracts from the Statement by Mr. Alec H. Coggins (Chairman).
 The Accounts for the year ended 31st January, 1977, show that your Company has had a record year on all fronts. Sales have advanced by £886,000 (28%) and profits before tax by £75,000 (54%). Earnings per 5p ordinary share have increased from 2.348p to 4.827p.
 Both of the subsidiary Companies have significantly improved their contribution to these excellent figures and are showing gains in the first quarter of the current year.
 An additional factory was purchased during the year just ended and it is expected to make a further contribution to profits in 12 to 18 months' time.
 The dividend being declared by your Directors is the maximum permitted under current legislation. In future ordinary dividends will be paid twice a year, i.e. the interim dividend in December and the final dividend in June.
 We face the current year with confidence and I am sure that we may expect another record year's results.
 MANUFACTURERS AND DISTRIBUTORS OF SPORTS FOOTWEAR

VAUX BREWERIES

INTERIM REPORT

In December 1976, the company announced a change of financial year—and from April to September and the extension of the current year to the 1st October 1977. This is therefore an unaudited interim report covering 12 months to 30th April 1977, by Paul Nicholson, the Chairman.

- Pre-tax profit was 16.8% ahead of last year and exceeded £5 million for the first time. In December 1976, we announced an interim dividend of 5.85% payable in August 1977. As we hope that tax is to be reduced to 33%, we now intend to pay 6.03% but will have to reduce the final dividend marginally if taxation rates are not reduced and dividend controls remain in force.
- The year has not been an easy one. Unemployment remains high in our main trading areas, reaching 13.2% in Sunderland. Whilst the summer of 1976 was not quite as exceptional as in the South of England and sales were only equivalent to 1975, our winter trade was better.
- We more than maintained our share in the North East of England although sales there were lower, particularly in our own pubs. However, this decrease was made up by the very good performance of S. H. Ward & Co., and by our success in developing new trade outside our traditional areas. Lager sales again increased and canned sales were well ahead.
- Following the launch of a new range of products by Lorimer's Breweries in Scotland, we have corrected the adverse trend in our Scottish sales with increased demand for canned beers and a substantial contract for a major supermarket chain.
- Swallow Hotels did much better business with higher room occupancies and increased sales of meals.
- During the year we acquired a group of five pubs in Glasgow and bought the Imperial Hotel in Newcastle-upon-Tyne. We also completed one new pub and disposed of 13.
- We believe that the outlook over the next few years is bright. We have a capital expenditure programme of over £30 million to develop all aspects of our business including rationalising Scottish production in Edinburgh, installing new lagering equipment at Sunderland and increasing the capacity of Ward's Brewery in Sheffield. However, as we only made just over 14% on our assets last year, I cannot understand the threatened political interference with our prices and profits when costs continue to escalate. A freeze on prices would mean a very serious review of whether political conditions were ever likely to be such as to justify our expansion programme.

The Annual General Meeting will be held in Sunderland on 5th August 1977. Copies of the Interim Report are available from the Secretary, Vaux Breweries Limited, The Brewery, Sunderland.

Comparative Figures	1973	1974	1975	1976	1977
	£'000	£'000	£'000	£'000	£'000
Turnover	31,100	36,200	44,450	56,550	62,700
Profit before Tax	3,618	3,808	3,893	4,423	5,165
Available for shareholders	1,991	1,665	2,023	2,241	2,576
Capital employed	30,855	32,619	38,540	41,721	45,268

LEIGH INTERESTS LIMITED

Record Profits in our 50th year

Results for the year ended 31st March 1977:

	1976/7	1975/6
	£000s	£000s
Turnover	12,894	11,396
Profit before tax	589	504
Profit after tax	279	246
Total Dividend per share	0.975503p	0.868522p

Extracts from the Statement by the Chairman, Mrs. J. Agar.
 Bearing in mind that the Walsall Wood waste disposal site has not been operational during the year, that no benefits have as yet accrued from our planned expansion into the rest of the UK and that only preliminary payments have been received from overseas the total profits before taxation of £589,074 are more than creditable. This is an increase of 17% over the results of the previous year.
 The year has been a period of consolidation and of planning for the next major step forward in the Group's development. Now we are proposing to make use of our accumulated experience in waste disposal in wider national and international markets.
 In addition to the funds derived from the rights issue proposed in March this year, our bankers have granted us medium term loan and overdraft facilities amounting to £750,000. These resources together with our normal trading cash flows provide substantial financial support for our anticipated growth.
 It is essential that the appropriate management structure is made ready to implement the planned growth of the Group, and certain steps to streamline the organisation have been taken.
 I expect our profitable progress to accelerate as we extend our activities both in the United Kingdom and overseas.
 Leigh Interests Limited
 Specialists in the disposal, treatment and recovery of waste and effluent materials.
 Builders' merchants, quarries and fuel contractors.
 Motor vehicle dealers.
 To: The Secretary, Leigh Interests Ltd., Wharf Street, Birmingham B15 5HY.
 Please send me a copy of the Report and Accounts.
 Name _____
 Address _____

PENTOS LIMITED.

Notice is hereby given of the appointment of Lloyds Bank Limited as Registrar.
 All documents for registration and correspondence should in future be sent to—
 Lloyds Bank Limited,
 Registrar's Department,
 Goring-by-Sea,
 Worthing, West Sussex BN12 6DA.
 Telephone: Worthing 5025-41.
 (STD Code 0903).
 D.K.G. MORGAN, F.C.A.,
 Director



We achieved a record profit in difficult circumstances

- Some salient points from the Statement by the Chairman, Mr. R. C. Robertson:
- The year's record profit represents an increase of 14% over last figures.
 - Markets for the Group's products expanded modestly with the exception of canned vegetables, which was badly affected by the hot summer.
 - In each product group the company performed better than the market, increasing its brand share.
 - The year was the most successful in the Group's history for exports. Sales volume rose by one third. Profits doubled.
 - Inflation, the economic situation and Government interference have contributed to difficult trading circumstances. However the Group has continued to prosper, and should again produce a significant increase in profits during the coming year.

Results at March 1977

	1976/7	1975/6
	£000s	£000s
Sales: UK—Home	43,458	37,519
Export	3,326	2,490
Overseas	6,482	5,931
Total	53,266	45,940
Profit before tax	2,581	2,274
Earnings per Ordinary Share	12.38p	10.02p

Robertson Foods Limited

If you would like to receive a copy of the Report and Accounts, but are not a shareholder please fill in this coupon and send it to:
 The Company Secretary, Robertson Foods Limited,
 50 Burnhill Road, Beckenham, Kent BR3 3LA.
 Name _____
 Address _____



A copy of this Offer for Sale, having attached thereto the documents specified herein, has been delivered to the Registrar of Companies for registration. Application has been made to the Council of The Stock Exchange for the share capital of Sotheby Parke Bernet Group Limited ("the Company") issued and now being issued to be admitted to the Official List. This Offer for Sale complies with the Regulations of the Council of The Stock Exchange for the purpose of giving information to the public with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information given and contain, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

The application list for the Ordinary Shares now offered for sale will open at 10 a.m. on Thursday, 28th June 1977 and may be closed at any time thereafter. The procedure for application is set out below.

10/10/15A

Sotheby's

Sotheby Parke Bernet Group Limited

Offer for Sale

by
Kleinwort, Benson Limited N.M. Rothschild & Sons Limited S.G. Warburg & Co. Ltd.
 of
3,850,000 Ordinary Shares of 25p each at 150p per share
 payable in full on application

Directors

Peter Cecil Wilson, C.B.E. (Chairman), 34-35 New Bond Street, London W1A 2AA

Graham David Llewellyn, 34-35 New Bond Street, London W1A 2AA

John Louis Marion (U.S. citizen), 980 Madison Avenue, New York, N.Y. 10021, U.S.A.

Peregrine Michael Hungerford Pollen, 34-35 New Bond Street, London W1A 2AA

David Anthony Thomas, Earl of Westmorland, K.C.V.O., 34-35 New Bond Street, London W1A 2AA

Sir Ronald Mark Cudliffe-Turner (non-executive), 6 St. James's Square, London SW1Y 4LD

The Rt. Hon. George Patrick John Rushworth, Earl Jellicoe, D.S.O., M.C. (non-executive), 30 Gresham Street, London EC2P 2EB

Peter John Ralph Spira, F.C.A., 34-35 New Bond Street, London W1A 2AA

John Marcus Linell, 34-35 New Bond Street, London W1A 2AA

David John Nash, 980 Madison Avenue, New York, N.Y. 10021, U.S.A.

The Ordinary Shares now offered for sale will rank in full for all dividends hereafter declared or paid on the Ordinary Share capital of the Company.

Share Capital

Authorised	Issued and now being issued fully paid
£3,000,000 in 12,000,000 Ordinary Shares of 25p each	£2,725,000

Indebtedness

At the close of business on 20th May 1977 the Company and its subsidiaries had outstanding long-term secured loans of £750,000 and bank overdrafts and other short-term loans of £665,086 (of which £244,241 was secured). Foreign currency indebtedness has been translated into sterling at the approximate exchange rates ruling at the close of business on the above date. Save as disclosed herein and apart from intra-group transactions, neither the Company nor any of its subsidiaries had outstanding at that date any loan capital, mortgages, charges or other borrowings or indebtedness in the nature of borrowings, including bank overdrafts, liabilities under acceptances (other than normal trade bills) or acceptance credits, hire purchase commitments or material guarantees or (except in the ordinary course of business) other material contingent liabilities.

Secretary and Registered Office

A. R. Alera-Hamkey, F.C.A., 34-35 New Bond Street, London W1A 2AA

Joint Auditors and Reporting Accountants

Deloitte & Co., Chartered Accountants, P.O. Box 207, 128 Queen Victoria Street, London EC4P 4JX
 Tansley Wirt & Co., Chartered Accountants, P.O. Box 71, 28 Ely Place, London EC1P 1JE

Solicitors to the Company

Herbert Smith & Co., 62 London Wall, London EC2R 7JP

Solicitors to the Offer

Slaughter and May, 35 Basinghall Street, London EC2V 5DB

Stockbrokers

Cazenove & Co., 12 Tokenhouse Yard, London EC2R 7AN

Bankers

National Westminster Bank Limited, 75 Cornhill, London EC2V 3NN
 Morgan Guaranty Trust Company of New York, 31 Berkeley Square, London W1X 6BA and
 616 Madison Avenue, New York, N.Y. 10022, U.S.A.

Receiving Bankers and Registrars

National Westminster Bank Limited
 Receiving Bankers: New Issues Department, P.O. Box 79, Drapers Gardens, 12 Throgmorton Avenue, London EC2P 2BD
 Registrars: Registrar's Department, P.O. Box 82, National Westminster Court, 37 Broad Street, Bristol BS99 7NH

CHAIRMAN'S LETTER

The following is a copy of a letter to Kleinwort, Benson Limited, N. M. Rothschild & Sons Limited and S. G. Warburg & Co. Ltd. ("the Banks") from Mr. Peter Wilson, Chairman of Sotheby Parke Bernet Group Limited. In this letter the Company and its subsidiaries are collectively referred to as "Sotheby Parke Bernet" or "the Group"; "season" is synonymous with accounting period; sterling figures may represent or include foreign currency amounts translated into sterling at the approximate exchange rates ruling at the end of the relevant accounting period.

Kleinwort, Benson Limited,
 N. M. Rothschild & Sons Limited,
 S. G. Warburg & Co. Ltd.

Dear Sirs,

22nd June 1977

In connection with your Offer for Sale of Ordinary Shares of Sotheby Parke Bernet Group Limited I have pleasure in giving you the following information.

Origins and Early History

The firm has its beginning in the cut and thrust of the London book trade of the 1730s. In 1733 a young bookseller named Samuel Baker started issuing catalogues from the *Angel and Crown* in Russel-street, Covent Garden. His first known catalogue of 19th February 1733 (this was before the introduction of the Gregorian calendar) was of a "Choice Library of Books consisting of History, Antiquity, Divinity, Physics, Mathematics, Law, Novels and Romances, etc.". Beale's *Causes of all Diseases* was offered at one shilling and Ovid's *Metamorphoses*, printed in Amsterdam in 1683, at two shillings. In the mid-1740s Baker began to dispose of libraries by auction, a form of sale that was then becoming popular. As his business prospered he moved into new premises in York Street, Covent Garden, and one of his most memorable sales from there, in 1754, was of the library of Dr. Richard Mead, scholar and collector, who was physician to George II and Sir Isaac Newton. Two years later Baker began the sale of the immense library of the topographer and antiquary, Richard Rawlinson. Even though Rawlinson had bequeathed some 5,700 manuscripts to the Bodleian Library, the sale of the remaining books and prints took sixty evening sessions, for sales at that time only began at five o'clock in the afternoon.

Although Baker continued to trade as a bookseller, and even as a publisher, he became a skilful auctioneer, and dispersed an increasing number of libraries, as well as the occasional collection of coins, medals, drawings, scientific instruments and antiquities. A portrait of Baker, which hangs in Sotheby's offices to this day, shows a sedate old man in a bob-wig and plum-coloured coat. Dibbon, the famous nineteenth-century bibliographer, records a conversation with Samuel Sotheby, in which the latter describes Baker as "the Father of our Tribe", and comments on the portrait: "He was as fine a fellow as ever broke a crust of bread and we have a portrait of him up stairs taken not long before he died in his 60th year and with every tooth in his head as sound as a roach". It was, incidentally, in 1766 that the founder of our friends and rivals in King Street, James Christie, began in business as an auctioneer.

In 1767 Baker took George Leigh into the business. He became a partner in 1774 and continued the firm after Baker's death in 1778. Leigh in his turn took into partnership John Sotheby, Samuel Baker's nephew, and in 1780 the title of the firm became LEIGH & SOTHEBY. Three generations of the Sotheby family took an active part in running the business: John, John's nephew Samuel Sotheby, and the latter's son, Samuel Leigh Sotheby. The last two Sothebys were accomplished bibliophiles as well as auctioneers. At the time of S. L. Sotheby's death by drowning in 1861 he was in partnership with John Wilkinson. The latter was joined in 1864 by Edward Gyse Hodge and the firm became known as SOTHEBY, WILKINSON & HODGE in that year. There had been some disruption of its affairs in 1865 when a great fire badly damaged the premises and destroyed many of our early records.

When Hodge Senior died in 1909, his son, Tom, became the sole proprietor and because his father had died intestate, he was forced to sell the business. It is at this point that the modern history of the firm begins, largely, as so often happens, by chance. Hodge was a sportsman and, on joining a new shooting syndicate, he is said to have met again as a fellow member a boyhood friend and now a rising ecclesiastical lawyer Montague Barlow, who combined amazing energy with a keen eye for business and wide antiquarian tastes. After protracted negotiations Hodge agreed to sell the business to Barlow and two friends of similar vision and taste. Thus Sotheby's passed into the hands of an unusual and farsighted group of men. Barlow himself secured a seat in Parliament in 1910, entered the Cabinet as Minister of Labour in 1922 and retired from Sotheby's in 1928. The second member of the triumvirate, Geoffrey Hobson, became known as a versatile scholar, a world authority on rare book bindings and the author of a number of standard books on this subject. He strengthened and expanded the firm's interest in

books, manuscripts and autographs and was responsible for building up sales of most forms of collectable antiques and furniture. Felix Warre, the third new partner, who had gained his business experience in the Far East after achieving fame at Oxford as an oarsman, became one of the firm's principal auctioneers and in due course controlled Sotheby's finances until, after almost forty years of partnership, he retired to his native Dorset.

When Barlow, Hobson and Warre took over they had, at least in the sphere of books, a pre-eminent position. For two or three generations most British libraries of consequence which had come on the market had passed through Sotheby's hands. Their owners included such famous names as the Duke of York, Sir Thomas Lawrence, Richard Heber, the Duke of Buckingham, the Earl of Shrewsbury, the Rev. Thomas Corser, William Beckford, the Duke of Hamilton, the Earl of Ashburnham and Sir Thomas Phillipps. Earlier on the firm had also attracted numerous foreign libraries. They included those of Talleyrand sold in 1816; of Napoleon (brought back from St. Helena) in 1823; of Louis Bonaparte, King of Holland (consigned by his nephew, Augustus Napoleon III); of Dr. Georg Kloss of Frankfurt and of the infamous Guglielmo Libri, who had pillaged various French public libraries in order to enrich his own. In 1910 the new partners had awaiting for sale the magnificent Huth and Britwell Libraries which together realised more than £900,000 over many years in numerous sessions in the auction room.

By this time sales of porcelain, coins, European and Japanese prints, classical and Egyptian antiquities and even stamps were taking place much more frequently. In 1917 the lease at Wellington Street, near the Strand, where the firm had been for almost exactly one hundred years, was due to expire. The location was now anything but the quiet and modish backwater it had been when Samuel Sotheby had moved there. So the bold decision was taken to move to the West End, where many important members of the art and antiquarian book trade had become established. The partners acquired much larger premises in New Bond Street, in a building that had once housed the Doré Gallery, and extended the business into silver, furniture, carpets, tapestries and other categories of the fine and decorative arts.

Although on a modest scale Sotheby's was no stranger to the fine art market—the firm had, for example, been responsible for the Studio sales of Richard Parkes Bonington and Thomas Sandby, and in 1913 it had sold a Frans Hals portrait belonging to Lord Glasgow for a record £9,000—it had never been previously equipped, or had the space, for the great art sales. The first really important such sale consisted of old master drawings, engravings, paintings and, particularly, armour from Wilton House, the home of the fifteenth Earl of Pembroke, in 1917. A second armour sale from Wilton included the celebrated Jacob suit of Henry Herbert, the second Earl of Pembroke, which fetched £25,000 and is now in the Metropolitan Museum in New York. It took a third sale from Wilton in 1923 to exhaust the armour there, and that year also saw the dispersal at Bond Street of the fine collection of European antique fire-arms belonging to Herbert J. Jackson. In May 1927 a four-day sale of the S. J. Wharwell collection of arms and armour, which included the famous Spinola Sword, totalled £39,000.

After the firm had taken on C. F. Bell of the Ashmolean Museum as its adviser on fine arts, such sales grew steadily. In 1918 there had been a two-day sale of the splendid old master drawings belonging to Sir Edward Poynter, President of the Royal Academy. In 1920 the virtually unknown cabinet of drawings which had belonged to the family of the Marquess of Lansdowne was sold, and this was followed by a fine selection of English drawings belonging to J. P. Heslgrave (whose collection of paintings and house contents the firm was to sell in 1935). The following year saw the sale of Lord Northwick's drawings and in 1922 the outstanding collection of Italian, French, English and Dutch drawings of Max J. Bonn came under the hammer. It included particularly good examples of the work of Dürer, Holbein and Rembrandt. The same year saw the sale of the famous collection of Egyptian antiquities assembled by the Rev. William MacGregor which lasted no less than nine days. The 1920s was also the period when we were beginning to make a speciality of sales of Oriental porcelain.

In addition it was a very active period for book sales, in which many records were broken. The three sales of the illuminated manuscripts and early printed books belonging to Henry Yates Thompson were completed in 1921 and fetched a total exceeding £150,000. Nineteen books only from the library of the estate of the Earl of Carysfort in July 1923 fetched £35,500 in less than an hour. The Holford Library was sold in five sales between 1927 and 1929 for a total of £109,201. In 1928 we sold the original manuscript of the first version of *Alice in Wonderland* for £15,400, and in 1936 occurred the memorable sale of Sir Isaac Newton's papers, several million words of mostly unpublished material in the hand of the great scientist, the property of the Viscount Lynnington.

Special efforts to attract collectors from abroad during the years of depression after 1929 met with notable success. France sent the paintings, drawings and antiquities of Vicomte d'Hendecourt, the Faucher Magnan Collection of ninety-nine paintings and drawings, and the fine works of art of the Comtesse de Greffulhe; from Germany came the Pringsheim and Glogowski Collections of Italian maiolica, and from Holland the

distinguished Library of A. W. M. Menzing. In 1938 one of the great American lit that of Mortimer Schiff, crossed the Atlantic for sale at Sotheby's.

At home the early thirties also saw our first incursion into house sales. Many others, we sold the contents both of Viscountess Cowdrey's London 16 Canon House Terrace and of her house at Paddockhurst in Sussex, and in 35 magnificent contents of Lord Rothschild's house at 148 Piccadilly. The total of £1 realised for this was no surprise to the art world, as the sale of twenty-one Dutch pictures stimulated the fiercest rivalry between Dutch and French collectors. Rothschild sale was one of the earliest to be broadcast live by the BBC.

Recent History

The outbreak of the Second World War did not, as in 1914, close the art sale altogether. The sale at Sotheby's of the resident of the great Eumorfopoulos Collect Chinese ceramics attracted numerous French collectors whose buying orders a June 1940 must have been among the last commercial messages to pass freely across Channel. In 1943 prices began to increase at long last and London slowly strengthened its position as a world centre of the fine art market. But the resumption of international trading was severely restricted for a decade by post-war currency restrictions, and the chief sales after the war were of English collections. These include paintings and other works of art of Sir Bernard Eckstein in 1948/49; the Ashby family collection of paintings and furniture in 1953; the particularly fine fine paintings and silver of the Sotheby family of Eaton in 1955; the library of Sir L. Hearnsworth, the sale of which had started in 1939 and was completed in 1955; illustrated books and magnificent illuminated manuscripts of C. W. Dyson Perrin, finally realised £1,046,592 and were part of the most valuable library we had to that time.

During the 1950s Sotheby's had been developing its international reputation, for example, as advisers to the Egyptian Government on the sale of the Palace's Collections in Cairo in 1953. The removal of restrictions on imports from the sterling area in 1954, and the ability once more to pay the proceeds of sale consignors' own currency, stimulated the use of the London sale rooms by consignors. In addition, the introduction at this time of increasingly specialist contributed substantially to the firm's growth.

A sale of particular importance, which benefited from a combination of factors, was that of French Impressionist and later paintings from Mr. V. Weinberg's Collection in July 1957 for £326,520, the first English auction sale ever devoted to such works. This was followed in October 1958 by a watershed in the history, when only seven important Impressionist paintings from the Jakob Gold Collection were sold for £781,000 in some twenty-one minutes in the first sale at Sotheby's to be held since the eighteenth century. The £220,000 paid for *Cé Guyon au Gilet Rouge* was more than double the highest price previously paid for any painting or work of art. Later in the same season, the Duke of Westmorland's *Adoration of the Magi* by Rubens—now in King's College Chapel, Cambridge—large that an opening had to be made in the floor of our West Gallery through which had to pass in order to reach the sale room—was sold for £275,000, and by this could be said that London was established as the undisputed centre of the art market.

Over the previous forty years the firm's sales volume had increased tenfold and book sales, although still an important part of the business, accounted for less than ten per cent. of the total sales volume by 1958. It was in that year that I Chairman of SOTHEBY & CO., the company which had owned the business since

In 1960 Thomas Gainsborough's portrait of Mr. & Mrs. Andrews in the *Aubrey's Sudbury* (now in the National Gallery) sold for £130,000, at that time the price ever paid at auction for an English picture, and the 168 pieces of the Louis XV dinner service from Berkeley Castle were sold in a single lot for £207,000. (The had been insured for less than £10,000.) In the 1960/61 season the sale of p became our most important activity, the thirty-eight picture sales accounting for more than forty per cent. of the firm's business. In October 1960 a sale which included nine Picassos consigned by Jacques Saïte of New York realised £429,700. In the season we sold an unrecorded portrait by Frans Hals for £182,000 and Goya's *of the Duke of Wellington* for £140,000. In the following season Rembrandt's *pe St. Bartholomew* fetched £190,000 and we dispersed Sir Alexander Korda's *Collection of Impressionists* for £464,470 and Somerset Maugham's *for* £523,880. In December 1962 and June 1963 Sir Chester Beatty's Gold Boxes and other Objects of Vertu £224,587 in the two sales. Most of us thought that the sales volume reached in these heady days would remain unsurpassed. But the forty-seven Impressionist paintings belonging to the late William Cargill—the first such collection to sell for more than £1,000,000 at auction in England—and the dispersal of the many distinguished works of art belonging to the late René Fribourg of New York, in seven sales £1,201,767, helped to increase the following season's sales volume by over 21 per

Officially

Sotheby Parke Bernet Group Limited

Continued

Parke Bernet: History and Acquisition

By the middle of 1955 Sotheby's had opened an office in New York City and the flow of properties consigned from the United States to London was beginning to increase. In 1960 "Sotheby's of London Ltd." was formally established in New York and it was in the decade which followed that Sotheby's international expansion really gained momentum. By the 1963/64 season the value of properties consigned from America to London exceeded the total sales of our then chief rivals in New York, Parke Bernet.

Parke Bernet as such dates from 1937 but its ancestor was the American Art Association, founded in 1883, which rapidly became the leading American firm auctioneering artistic property. In 1937 Major Hiram H. Parke, the doyen of American auctioneers, and his colleague Otto Bernet, with other key members of the staff, left the firm to found their own company, Parke Bernet Galleries Inc. They were so successful that later they acquired the American Art Association, the company they had left. But by 1959 both Parke and Bernet had died and control of the firm had passed largely to non-executive shareholders. The great strength of the firm lay in the able and commanding figure of its English-born President, Leslie A. Ryan. His unexpected death in 1963 paved the way to a change of ownership. Louis J. Marion, President in succession to Ryan (and the father of John L. Marion who has in his turn been President of Sotheby Parke Bernet Inc. since 1972), and Mary Vandegriff, his executive Vice President, were the first to see that the acquisition of Parke Bernet by Sotheby's had become a logical step and, in the summer of 1964, Sotheby's made a successful offer and purchased the firm.

During the eighty years between the founding of the American Art Association and Parke Bernet's acquisition by Sotheby's, the firm has dispersed at auction some of the greatest estates and collections in the United States, outstanding among which were those of Charles T. Yerkes (1910); Carlotta Lambert (1916)—who formed one of the earliest collections of Impressionist paintings in America; John Quinn (1927); Judge Bert H. Gary (1928); Mrs. Henry Walters (1940-44); Mrs. Hamilton McKay Treadwell Bush Vanderbilt (1952)—the last surviving grandchild of the Commodore, whose women wore violet liveries to match the Rolls-Royces; Georges Lancy (1957); Mrs. Helena Chrysler Foy (1959); Alfred W. Erickson (1961)—his Rembrandt of *Aristotle contemplating the Bust of Homer* was bought for a record \$2,300,000 by the Metropolitan Museum; and Julia A. Berwind, sister of Edwin C. Berwind—reputedly the world's largest owner of coal-mining properties—the contents of whose house in Newport, Rhode Island, were sold in 1962.

From the early 1960s American museums and institutions had been taking advantage of the opportunities that the reputation of Sotheby's offered for the successful disposal of works of art in London. Amongst these were sales of books from the Library of Congress; the Folger Shakespeare Library in Washington; the American Academy of Arts and Letters; Yale University; and the Newberry Library in Chicago. In 1964 fifty important paintings by Kandinsky were sold by the Trustees of the Solomon R. Guggenheim Foundation.

Subsequently the increasing reputation for specialist knowledge at Parke Bernet itself, following its acquisition by Sotheby's, brought important properties under the hammer in New York from such institutions as the Museum of Fine Arts, Boston, and the Redwood Library and Athenaeum in Newport (probably the oldest library in America). The fact that Christie's have recently established a saleroom in New York is acknowledgement of the growing importance of that city as a centre of the international market.

The Group since 1964

Outstanding Sales
In the last season before the acquisition of Parke Bernet we held 337 auctions which realised a total of £13,300,000. In the 1975/76 season the Group's total sales at auction increased to £38,400,000 and the number of auctions to 4174.

It was in the mid-sixties that Impressionist and Modern paintings became the most dynamic sector of the art market. In April 1967 Picasso's *Maternité au bord de la mer* realised £1,900,000, the highest price at auction for the work of a living artist. New York in December 1968 sold a collection of School of Paris paintings belonging to R. Roudinesco of Paris for \$2,783,250. Prices unprecedented at auction were realised in the course of the thirteen artists represented in his collection. The great Renoir, *Le Pont des Arts*, which was also sold in New York in 1968 at a price of \$1,550,000, created another cord, which still stands. Parke Bernet's success continued in 1969 with the sale of the again collection of Impressionists, and in 1970 a variant of van Gogh's famous *Le printemps à L'Abbaye en France*, the property of the late W. W. Crocker, fetched \$1,300,000.

In October 1970 London sold the William Goetz Collection which included an exceptional group of Fauve pictures, and, in May of 1971, New York began one of the most outstanding series of sales of Impressionist and Modern paintings and sculpture, when from collections formed by Norton Simon, which had reached a total of \$12,740,000 in 1973. The seventies have seen a significant increase in the dispersal of important collections of all kinds, and a steadily growing volume of the more modest works of art coming to the market. This has been so in London and New York as much as in continental Europe and Hong Kong.

A few recent highlights are worthy of recall: among many other jewellery auctions New York, the \$1,050,000 realised by the Cartier diamond (subsequently given to Elizabeth Taylor); the beautiful Renaissance jewels of the late Arturo Lopez-Willshaw in London; the collection of Rembrandt etchings belonging to Lord Downe; the master drawings from the Hilsenrath collection; the Lady Blunt Stradivari violin sold for \$84,000 in 1971; the collection of firearms formed by the late William Goodwin Smith; the five most important pieces of French eighteenth century furniture which he realised \$683,000 from the collection of Mr. and Mrs. Deane Johnson; the Ming red and white bottle sold for £420,000 in 1974 and the total of £1,838,695 from the three lots of the Japanese prints from the Henri Vever Collection between 1975 and 1977.

Most memorable in recent times in New York were the eight sales in the first half of the 1975/76 season devoted to the dispersal of the 7,950 lots belonging to the Geraldine Rockefeller Dodge. These fetched over \$7,000,000 and constituted a largest number of objects belonging to one collection ever sold by Sotheby Parke Bernet. In the United Kingdom, the sale at Mentmore Towers in May this year captured a public imagination, brought buyers from all over the world to Buckinghamshire and realised in a total of £6,048,000, the highest ever achieved for a continuous series of lots from one collection.

Expansion
In 1967, we leased Hodgson's Rooms in Chancery Lane from the Hodgson family business, which had been established there since 1863. Specialised categories of books including art reference books, children's books, law books and, in general, books printed after 1830, are now sold there. This was followed in 1971 by the founding of Sotheby's Belgravia to cater specifically for the increasing interest in 19th and 20th century works of art. Our fully illustrated catalogues for sales held there, with their bright red covers, we often set new standards of cataloguing in the many areas we have pioneered.

Our expansion overseas also continued. After the acquisition of Parke Bernet in New York (subsequently renamed Sotheby Parke Bernet) Sotheby's opened several offices in North America. The first sale in Canada, which was attended by well over 100 people, had been held in Toronto in 1967, and a permanent office was established there in 1968. In 1966 we had opened an office in Los Angeles and by 1971 this had become a fully fledged auction house in its own right, Sotheby Parke Bernet Los Angeles, began its activities in newly acquired premises with a sale of "props" from the studios of Twentieth-Century Fox (including Shirley Temple's teddy bear for \$450, and the film from "Burch Cassidy and the Sundance Kid" for \$3,100). In 1968, PB 84, an art house dealing with less valuable works of art and antiques, was founded in New York.

Our purchase in 1974 of Mak van Waay of Amsterdam, the most distinguished fine art auction house in the Netherlands, was a further acknowledgement of the importance of continental Europe as a market. Since then Mak van Waay has sold two of the greatest late collections of paintings in the Netherlands: in the spring of 1976 that formed by de Geus van den Heuvel for FL 14,400,000 and in June 1977 the collection of the late Hans Wetzlar for FL 20,522,000.

In 1975, by arrangement with the Montégasque government, we mounted the sale of a series of major sales in Monte Carlo. Property drawn from the collections of Guy de Rothschild and Baron Alexis de Redé was sold for a total of Fr. 16,485,000.

In 1976 we formed a close association with Bearnès & Waycotts of Torquay, principal auction house in the South-West of England, and we have now contracted quite this business, which will operate as Sotheby Bearnès. In the current year, association has been established with Henry Spencer & Co. of Bedford, the oldest art house in the Midlands and North of England, which involves certain commissioning arrangements. This company operates under the designation "in association with Sotheby's".

During 1977 we have developed two new businesses in the United States, one to be the Group in the international stamp auction market and the other to provide facilities for the sale by private treaty of major real estate properties in North America. Parke Bernet has also recently entered into an association with Sandicorp, a subsidiary of the Sulzmann Group, and Algermon Asprey Limited, principally to provide vice in Saudi Arabia for all aspects of the fine arts including the design, building, fitting and furnishing of private houses, art galleries, government institutions and museums.

Innovations
The last two decades have seen a number of innovations in auction techniques. A circuit television has been employed for major sales in our salerooms from its inception at the Weinberg sale in 1957. The first simultaneous auction in London and New York was held by Sotheby Parke Bernet in 1965 using the Early Bird Satellite by way of the BBC's "Panorama". The first sale at auction linked by television to a

number of different locations, namely Dallas, Fort Worth, London, Los Angeles and Paris, occurred when a painting by Picasso, donated by the artist as a contribution to the fund for the relief of Florence, was sold in NBC's studios in New York. Transatlantic bidding by telephone has now become an almost routine matter at major sales. We have recently installed a currency converter in our principal Gallery which can show progress of the bidding in sterling and in six other currencies. In some of our salerooms, such as New York, Monte Carlo, Zurich and Hong Kong, colour slides of smaller objects are projected onto a screen during sales, as an aid to identification and clarity of presentation.

In recent years we have sent teams of experts to various centres so that we can help owners living in the area to identify and to value their possessions. Particularly successful "clinics" of this kind have been held in places as diverse as Baltimore and Bordeaux.

The first auction sale devoted entirely to photographic material (that of the collection of William Weissberg) was held at Parke Bernet in May 1967. Auction sales of this kind have become a regular part of every season in the United States and London. An album of photographs by Julia Margaret Cameron was sold at Sotheby's Belgravia for £52,000 in 1974 and later acquired by the National Portrait Gallery.

The first series of auctions devoted entirely to works of art and literary material relating to the baller was held at Sotheby's in June 1967. A further sale was held at the Scala Theatre in July 1968 and, for the third series (held at the Theatre Royal, Drury Lane in December 1969), the late Lydia Sokolova, who had danced with the Diaghilev company, drew upon her remarkable memory to reconstruct some of the choreography from Nijinsky's production of "Le Sacre du Printemps", performed during the sale by members of the Royal Ballet School and the London Festival Ballet, who wore the original costumes included in the sale.

In Conclusion

Today we describe ourselves still—as we have done for generations—as "Auctioneers of Literary Property and works Illustrative of the Fine Arts", but the phrase has come to be interpreted in a much more liberal way, embracing such diverse objects as a fossil ichthyosaur sold in March 1970 for £3,200, a Sopwith "Camel" for \$40,000 (sold with other historic and mostly airworthy aeroplanes in California in May 1968), a pre-war Bugatti, designed for Lord Rothschild, for \$59,000 and a stuffed Great Auk for £9,000 both in 1971. John Sotheby, from whom we take our name, might have looked astounded at the licence taken with that description but he would surely have been delighted to find that the innovative spirit of his uncle, Samuel Baker, is as strong as ever within the firm after almost two and a half centuries.

Business

Sotheby Parke Bernet has the largest volume of sales of any international fine art auction house, with auction rooms or representative offices in 26 different cities.

The principal auction rooms are in London, New York, Amsterdam, Los Angeles and Paris; auction sales are also regularly held in Florence, Hong Kong, Johannesburg, Monaco, St. Moritz, Toronto and Zurich and, in association with Sotheby's, in Madrid. The Group also holds auction sales in other locations from time to time, sometimes in conjunction with local auction houses. The Group has offices or representatives in Boston, Brussels, Buenos Aires, Dublin, Edinburgh, Houston, Melbourne, Middleburg, Milan, Munich, Palm Beach, Paris, Rio de Janeiro, San Francisco and Stockholm.

The Group's activities are as follows:

(a) Auction Sales

Our principal business is that of auctioneers of works of art and artefacts of almost every kind and period and from virtually every civilisation and country. In the 1975/76 season commissions on auction sales accounted for approximately 89 per cent. of the Group's gross revenue.

An analysis of property sold at auction during the 1974/75 and 1975/76 seasons is as follows:

	1974/75 season	1975/76 season
Old Master Paintings and Drawings	£000 07	£000 07
18th, 19th and 20th Century British and Continental Paintings and Drawings	5,900 7.9	10,700 10.9
Impressionist, Post-Impressionist and Contemporary Art	11,600 15.5	14,200 14.4
Prints	2,100 2.8	2,500 2.5
Books and Manuscripts	4,800 6.4	8,400 8.5
Works of Art including Sculpture, Musical Instruments, Arms and Armour and Objects of Vertu	6,700 8.2	6,700 6.8
Silver	3,900 5.2	4,100 4.2
Coins and Medals	1,400 1.9	1,200 1.2
Antiquities	1,800 2.4	2,900 3.0
Furniture	10,400 13.9	13,000 13.2
European Ceramics and Glass	3,200 4.3	3,500 3.6
Chinese Works of Art	4,600 6.2	5,800 5.9
Japanese Works of Art	2,500 3.3	1,700 1.7
Jewellery	7,200 9.6	11,000 11.2
Wine	900 1.2	1,000 1.0
Americans	2,800 3.7	3,800 3.9
	74,800 100.0	98,400 100.0

Sotheby Parke Bernet aims to attract as wide a range as possible of potential purchasers for each individual item offered for sale. Sales are advertised in national newspapers, periodicals and also in specialist catalogues prepared by the Group. Details of all property to be auctioned are included in the catalogues. These are distributed to subscribers and collectors worldwide. Potential purchasers who are unable or do not wish to attend a sale may instruct the auction house to enter bids on their behalf. Such bids are always executed as cheaply as is allowed by other bids and reserves as are on our books. Sotheby Parke Bernet publishes estimates as a guide for prospective purchasers and in the normal course of its business may also give guidance on such matters as the quality, condition and provenance of a work of art.

At its sales, the auction house normally acts as agent for the consignor, from whom it receives a commission based on the hammer price; if a property fails to reach its reserve price and remains unsold, the consignor is usually charged a reduced commission. A premium based on the hammer price is also received from the purchaser in all the Group's auction rooms except those in North America and South Africa and except in the case of coin and wine sales in the United Kingdom.

Under the normal agreement with consignors used in the principal auction rooms, there is no legal obligation to pay the proceeds of sale to a consignor until the amount due has been received from the purchaser. If, however, a purchaser is allowed to take possession of the property before payment, the auction house is obliged to make payment to the consignor on the due date for such payment.

If requested, an auction house may make an advance to a consignor, well before the sale, of part of the expected proceeds of sale of his property. Such advances are normally interest-bearing, are secured by the consigned property and the sale proceeds, and remain outstanding until the proceeds of sale are collected and the consignor's account settled. On rare occasions an auction house may enter into an obligation as to the amount of the sale proceeds to be received by the consignor. Where a minimum sum is guaranteed the auction house is obliged to pay to the consignor the amount by which the net proceeds of sale fall short of the guaranteed sum; in these circumstances it may retain for its own account all or part of any unsold property for subsequent resale.

A guarantee against deliberate forgery, subject to the terms of the applicable Conditions of Sale in the catalogues, is given to the purchaser by the relevant Group subsidiary in respect of most of the property sold at auction. In addition, in the case of Impressionist, Modern and Contemporary paintings, drawings and sculpture and Modern British paintings, a guarantee of correct attribution is given. Guarantees are normally valid for five years from the date of sale. Claims against the Group under such guarantees have not been material.

(b) Private Treaty Transactions

Where a consignor does not wish to sell property at auction, Sotheby Parke Bernet is willing to advise on a privately negotiated sale, in which event it may receive a commission from either the consignor or the purchaser. Alternatively, in very rare circumstances and only if requested by a client, the Group may acquire property from a client for its own account; property acquired by the Group in this way may be sold over a period of years. In the case of stamps, Sotheby Parke Bernet has arrangements with Andrew Levitt (the chief executive of Sotheby Parke Bernet Stamp Auction Co., Inc.) and companies associated with him under which it may finance the acquisition of stamps which owners do not wish to sell on commission.

(c) Valuations

Sotheby Parke Bernet prepares formal valuations for capital transfer tax, probate, insurance and other purposes. Whilst an agreed charge is made for these services, the greater part of such charge is often waived if the property concerned is sold at auction by the Group soon thereafter.

(d) Fine Art Packing, Forwarding, Franchising and Restoration

James Bourlet & Sons Limited and J. J. Patrickson & Son Limited provide services in the field of fine art packing, freight forwarding, international transport and storage, picture framing, furniture restoration and fine art conservation.

(e) Real Estate Brokerage

The Group has, through Sotheby Parke Bernet International Realty Corporation, entered the luxury real estate brokerage business. In return for a fee this company advises on and manages the purchase and sale of major real estate properties in North America, often in conjunction with the sale of personal property.

(f) Special Advisory Services

Sotheby Parke Bernet advises the British Railways Superannuation Fund and the British Railways (Wages Grades) Pension Fund in the United Kingdom on their programme of long-term investment in works of art and accepts responsibility for the authenticity of works of art purchased on its advice. Any decision as to where and

whether a purchase is to be made, and the price at which it might be made, is taken independently by the officers of the Funds concerned.

(g) Publications

Sotheby Parke Bernet produces catalogues for its sales, a monthly preview of forthcoming auctions and an annual review of the year's activities entitled "Art at Auction". It also licenses its name, in return for royalty payments, for the publication of books connected with the arts.

Geographical Analysis of Auction Sales

A geographical analysis of property sold at auction for the 1974/75 and 1975/76 seasons is as follows:

	1974/75 season		1975/76 season	
	£000	%	£000	%
Hong Kong	500	0.7	1,600	1.6
Italy	600	0.8	500	0.5
Monaco	1,800	2.4	2,500	2.6
The Netherlands	3,700	4.9	7,900	8.0
South Africa	800	1.0	600	0.6
Switzerland	2,000	2.7	4,500	4.6
United Kingdom	37,000	49.5	38,000	38.6
United States and Canada	28,400	38.0	42,800	43.5
	74,800	100.0	98,400	100.0

Except in the United Kingdom and Switzerland, by far the greater proportion of the property sold is consigned locally. In the United Kingdom, the proportion of property sold in the 1975/76 season which was consigned from overseas was in excess of 30 per cent. The contribution of any one location and, in particular, of the United Kingdom and of the United States and Canada, to the Group's sales and earnings varies considerably from year to year.

Management and Staff

I joined the business in 1936. My principal responsibility as Chairman is for matters of policy and the overall direction of the Group and I am also closely involved in negotiations with clients in all aspects of our business. I am aged 64.

Mr. G. D. Llewellyn (aged 55) is a Deputy Chairman of Sotheby Parke Bernet & Co., London, with particular responsibility for the international offices of the Group other than those in North and South America. He is also Chairman of our Dutch, German and Hong Kong companies and of James Bourlet & Sons Limited and has overall Group responsibility for jewellery sales, being especially involved in those held in Switzerland and Hong Kong. He has been with the Group since 1953.

Mr. J. L. Marion (aged 43) joined Parke Bernet in 1960 and has been President of Sotheby Parke Bernet Inc., New York, since 1972, thus continuing a family tradition, his father having previously been President. He has overall responsibility for all the Group's North American operations.

Mr. P. M. H. Pollen (aged 46) is Executive Deputy Chairman of Sotheby Parke Bernet & Co. He joined the Group in 1957 and was our representative in the United States from 1960 until 1964; from 1965 to 1972 he was President of Sotheby Parke Bernet Inc. He has particular responsibility for South America and the Middle East, for special projects and public relations outside North America; together with Mr. J. L. Marion he co-ordinates our activities in North America with the other parts of the Group.

The Earl of Westmorland (aged 53) is a Deputy Chairman of Sotheby Parke Bernet & Co., with particular responsibility in the United Kingdom for the development of new business, valuation services, insurance and property. He joined the Group in 1965.

Sir Mark Turner (aged 71) joined the Group as a non-executive Director in 1971. He is Chairman of Rio Tinto-Zinc Corporation Limited, Deputy Chairman of Kleinwort, Benson, Lonsdale Limited and a Director of a number of other companies.

The Earl Jellicoe (aged 59) joined the Group as a non-executive Director in 1974. He is a Director of S. G. Warburg & Co. Ltd. and a number of other companies.

Mr. P. J. R. Spira (aged 47) is the Group Finance Director and Managing Director of Sotheby Parke Bernet & Co., having joined the Group in 1974. He is a Director of S. G. Warburg & Co. Ltd., having previously been a Vice Chairman of that company.

Mr. J. M. Linell (aged 37) is Head of the Expert Departments in London and has been with the Group since 1956. He spent four years in the United States from 1967 to 1971 as a Senior Vice President of Sotheby Parke Bernet Inc. running the Decorative Arts Departments and was subsequently responsible for the establishment of our Belgravia auction room in 1971.

Mr. D. J. Nash (aged 35) is the head of the Paintings Departments in the United States and has been with the Group since 1961. He originally joined the staff of Sotheby Parke Bernet & Co. in 1961 and moved to New York two years later.

Of the largest subsidiaries, Sotheby Parke Bernet & Co. has 37 Directors, whose average length of service is 13 years and of whom 15 are under the age of 40 and Sotheby Parke Bernet Inc. has 19 Vice Presidents, whose average length of service is 10 years and of whom 16 are under the age of 40.

Approximately 190 specialists are employed within the Group, some of whom are leaders in their field enjoying international reputations in the art world and a number of whom have held senior positions in important museums. There is also frequent consultation with experts outside the Group. In addition the Group enjoys the support of a number of representatives whose main function is to assist in the maintenance and development of contacts with existing and new clients. From time to time staff are recruited for the Expert Departments from the Sotheby Works of Art Course in London where approximately 50 fee-paying students from many different countries are enrolled annually.

The permanent members of the staff number approximately 1,050 worldwide, of whom over 200 are shareholders; after the Offer for Sale Directors and other members of staff, together with their families, are expected to own approximately 53 per cent. of the enlarged share capital. Relations with members of the staff have always been, and continue to be, excellent; pension schemes are in operation covering almost all the staff in the Group.

Premises

Details of the Group's principal auction rooms and a summary of other properties are set out in Appendix I.

Each of the auction rooms in London, New York, Amsterdam, Los Angeles and Florence has offices and storage facilities and there are also extensive warehousing and shipping premises in London and New York. In addition, the Group has tenancies of its representative offices which are held on various short leases with rents subject to review. It is considered that there would be no significant difficulty in either obtaining renewals of all the Group's short leases on acceptable terms or finding suitable alternative accommodation. The auctions in Hong Kong, Johannesburg, Monaco, St. Moritz, Toronto and Zurich are held in rooms taken for the duration of the sales.

The Bond Street premises (together with the Group's freehold warehouse in London) were valued by Healey & Baker (surveyors, valuers and auctioneers of real estate) in June 1976 at £4,905,000 on the basis of the then current open market value with their existing use. This value has been incorporated in the balance sheet as at 31st August 1975 and subsequent balance sheets. Healey & Baker have revalued these properties on the same basis as at 25th March 1977 at £5,345,000. In the opinion of the Directors, the properties not valued by Healey & Baker have a total current market value in excess of book value.

While the existing premises are sufficient for the present requirements of the business, it is planned to improve and extend our Bond Street premises over the next two years at a cost currently estimated to be £750,000.

Use of Proceeds of Issue of New Shares

Of the 3,850,000 Ordinary Shares being offered under this Offer for Sale, 3,274,367 shares are being made available by existing shareholders and 575,633 are new shares being issued by the Company. In addition to these new shares, 100,000 new Ordinary Shares are being subscribed at the Offer for Sale price of 150p by Lane, Crawford Limited with whom we have a joint venture in Hong Kong involving the provision of services and premises in exchange for certain commission-sharing arrangements. The total amount subscribed for all the new share capital being issued will amount to approximately £1,013,000. It is proposed that the £1,013,000 subscribed by Lane, Crawford Limited, will be used by the Company to provide additional equity capital in its wholly-owned subsidiary; Sotheby Parke Bernet Inc., which in turn will use these funds for the general working capital purposes of its business. The balance of approximately £863,000 of new funds will be used mainly to meet the cost of improving and extending our Bond Street premises, as mentioned above.

Earnings Record

The vast majority of lots sold at auction by the Group realise relatively modest prices: for example, of approximately 200,000 lots sold during the 1975/76 season, over 80 per cent. realised £500 or less and over 60 per cent. £200 or less. The Group also sells a substantial number of lots of high value and individual collections of outstanding importance. In the 1975/76 season the prices of lots sold ranged from £1 to £727,000 and the Group dealt with thousands of consignors and purchasers from over 70 different countries.

In order to maintain its wide-ranging expertise as well as the ability to handle a large volume of sales on an international scale, the Group has to incur a high level of fixed overhead costs. Accordingly, earnings in any period are particularly sensitive to the total value of sales achieved which may be affected not only by our general level of activity but also by the incidence of major consignments in that period.

Sotheby Parke Bernet Group Limited

Continued

Details of the results for the five accounting periods ended 31st August 1976, as explained in the notes to paragraph 4 of the Accountants' Report, are as follows:-

	1972	1973	1974	1975	1976
	£,000	£,000	£,000	£,000	£,000
Sales at auction	44,500	74,500	89,900	74,800	98,400
Gross revenue					
Commission income	6,001	9,544	10,908	10,880	17,387
Other income	911	3,331	2,481	2,269	2,198
Less: Expenses	6,912	13,375	13,389	13,149	19,585
Expenses	(5,440)	(7,579)	(10,939)	(12,050)	(16,239)
Earnings before tax	1,466	3,796	2,450	1,099	3,346

It will be seen from this table that the value of sales at auction increased throughout the period shown (with the exception of the 1974/75 season), with an overall increase from £44,500,000 in the 1971/72 season to £98,400,000 in 1975/76. The number of auctions held throughout the Group increased from 795 in the 1971/72 season to 1,114 in 1975/76.

The largest proportionate increase in the value of sales at auction during the period took place in the 1972/73 season. While this substantial increase in activity gave rise to the record level of earnings then achieved, it also led to a higher level of expenses, the impact of which was not fully reflected in the results for that year. Subsequently, more competitive conditions in the art market, combined with an exceptionally high level of inflation in the United Kingdom and further increases in expenses, led to a downturn in earnings, which was compounded in the 1974/75 season by a decline in the art market in the United Kingdom and overseas. During this season, certain measures were taken to contain expenses and, at the beginning of the following season, the buyer's premium was introduced in London. The expansion of the Group's business overseas and the introduction of this buyer's premium were the major factors in the return towards previous levels of earnings in the year ended 31st August 1976.

During the last five completed seasons the two individual collections of highest value sold in each year by the Group have together represented contributions to the annual totals of sales at auction and gross revenue of less than 7 1/2 and 7 per cent, respectively. The contributions both to sales at auction and to gross revenue of the two most important individual collections sold by the Group in the current season—the Rosebery collection at Mentmore in May and the Wetzlar collection in Amsterdam in June—are expected to be less than these percentages.

It will be seen from the Accountants' Report that the Group's earnings before tax for the six months ended 28th February 1977 were £1,944,000, reflecting the buoyant conditions in the art market during this season, especially in the United Kingdom. The results for any period of less than a full year are not necessarily indicative of those for a full year, either in total or as regards the contribution of any one location to the overall results of the Group.

Forecast of Earnings

The Directors forecast, on the basis of the assumptions set out in Appendix II and in the absence of unforeseen circumstances, that the earnings before tax for the year ending 31st August 1977 will be not less than £4,600,000 and that the tax charge on such earnings will amount to approximately 51 per cent thereof.

The Joint Auditors and Reporting Accountants and the Banks have reported on the above forecast and their reports are included in Appendix II.

Dividends and Appropriation of Earnings

It is the intention of the Directors to recommend a final dividend on the Ordinary Shares in respect of the year ending 31st August 1977, payable in February 1978, of such amount per share as will, when added to the tax credit imputed in the United Kingdom, produce a gross equivalent of 7.69p per share. At current rates of tax, this recommended dividend would be 5p per share.

If the above forecast of earnings had related to a year during the whole of which the share capital of the Group had been listed, the Directors would have expected to recommend dividends of such amount as would, when added to the tax credit imputed in the United Kingdom, have produced a gross equivalent of 12.69p per share; at current rates of tax, such dividends would have been 8.25p per share.

On the basis of the current rate of imputed tax credit of 35/65ths, the allocation of earnings would be as follows:-

Group earnings before tax	4,600
Less: tax at the rate of 51 per cent	2,346
Group earnings after tax	2,254
Cost of annual dividends totalling 8.25p per share on 10,900,000 Ordinary Shares	899
Retained earnings	1,355

These annual dividends would be covered 2.5 times by the Group's earnings after tax shown above. The interim dividend will normally be payable in September and the final dividend in February.

On the basis of the number of Ordinary Shares which will be in issue following this Offer for Sale, the forecast earnings after tax per share are 20.68p. Accordingly, at the price of 150p at which the Ordinary Shares are being offered for sale, the price/earnings ratio is 7.25 and, assuming annual dividends which, when added to the tax credit imputed in the United Kingdom, produce a gross equivalent of 12.69p per share, the gross dividend yield is 8.46 per cent.

Net Tangible Assets

It will be seen from the Accountants' Report that the adjusted net tangible assets of the Group as at 28th February 1977 amounted to £9,298,000. Taking into account the above forecast of earnings after tax and dividend for the year ending 31st August 1977, the Group's net tangible assets at that date would be not less than £10,000,000, representing 91.7p per Ordinary Share in issue following this Offer for Sale.

The Future

We view the future with confidence. The flow of important works of art coming into the saleroom continues and new record prices are frequently being achieved; in the medium price range we have seen a substantial rise in volume and prices this season; at the lower end of the market items which only a few years ago were barely saleable are now realising quite substantial sums at auction. The value of works of art as a protection against inflation is becoming increasingly recognised.

The interest in works of art continues to grow worldwide. The instincts of nations and individuals alike to become collectors remain as strong as ever and, while tastes and patterns of wealth change from time to time, there is clearly no lack of international buying power for works of art and artefacts of every kind. I have believed for many years that this trend will persist and that the market will expand to serve the increasing number of collectors. The fact that the number of the very finest works of art and books outside museums is decreasing can only result in those masterpieces which remain in private hands becoming more and more desirable to museums and the great collectors.

While some fluctuation in our results must be expected from time to time, in my view Sotheby Parke Bernet, with its exceptionally strong position in the international art market, is well placed to take advantage of future opportunities and developments.

Yours faithfully,
PETER WILSON
Chairman

ACCOUNTANTS' REPORT

The following is a copy of the report to the Directors of Sotheby Parke Bernet Group Limited and the Banks, made by Deloitte & Co., Chartered Accountants, and Tansley Witt & Co., Chartered Accountants, the Joint Auditors of Sotheby Parke Bernet Group Limited and Joint Reporting Accountants.

Deloitte & Co.
P.O. Box 207,
128 Queen Victoria Street,
LONDON EC4P 4JX

Tansley Witt & Co.
P.O. Box 71,
28 Ely Place,
LONDON EC2P 1JL

The Directors,
Sotheby Parke Bernet Group Limited,
Nelson, Benson Limited,
N. M. Rothschild & Sons Limited,
S. G. Warburg & Co. Ltd.

22nd June 1977

1 We have examined the audited accounts of Sotheby Parke Bernet Group Limited ("the Company") and of its subsidiaries for the periods relevant to this report. The Company and its subsidiaries are hereinafter collectively referred to as "the Group".

2 The information set out below is based on the audited accounts of the Company and its subsidiaries after making such adjustments as we consider appropriate, including, in the case of net assets at 28th February 1977, the addition of the net proceeds of the proposed issue of 675,633 Ordinary Shares of 25p each at 150p per share in June 1977 (after deducting the estimated expenses of the Offer for Sale). These accounts have been prepared on the historical cost basis, modified by the inclusion of the revaluation of certain properties, and in accordance with the standards approved by the accounting bodies in the United Kingdom as applicable to the accounting period ended 28th February 1977. In our opinion the information given, on the accounting basis stated above, is a true and fair view of the earnings and source and application of funds of the Group for the five accounting periods ended 31st August 1976 and the six months ended 28th February 1977 and of the state of affairs of the Company at 28th February 1977 and of the Group as at 30th September 1977 and of the years 1971 to 1974, at 30th August 1972 and 1973 and at 28th February 1977.

Accounting Policies

The following are the principal accounting policies adopted in arriving at the financial information set out in this report:

- Basic of consolidation and accounting date**
The consolidated accounts include the accounts of the Company and all its subsidiaries. Where appropriate, results are included from the date of formation or acquisition of subsidiaries. Up to and including 1974, the accounts of the Company and its subsidiaries in the United Kingdom, Switzerland and those other countries were made up to 30th September in each year; the Netherlands subsidiaries, which were acquired in July 1974, made up accounts to 31st July in that year and the subsidiaries in the United States and elsewhere made up accounts to 31st August in each year. In 1975 (with minor exceptions) and in 1976 the accounts of all Group companies were made up to 31st August.
- Goodwill**
Goodwill arising on consolidation is charged directly against reserves in the year in which the subsidiary concerned is acquired.
- Depreciation**
Depreciation is provided on furniture, fittings and equipment at rates calculated to write off each asset over its remaining useful life. Freehold and long leasehold properties are not depreciated. Expenditure on short leasehold properties is amortised over the length of the lease or (if shorter) the remaining useful life of the asset acquired.
- Works of art and other stocks**
Works of art held for sale as principal and other stocks are stated at the lower of cost and estimated net realisable value. In the case of works of art, the net realisable value is assessed by the appropriate department experts within the Group.
- Debtors and creditors**
Amounts receivable from purchasers and payable to consignees as a result of sales by auction are dealt with as debtors and creditors respectively although the Group has no legal obligation under its normal conditions of sale to pay the proceeds of sale to a consignee until it has received the amount due from the purchaser.
- Consolidation income**
Consolidation income is normally treated as revenue in the accounts at the date of the relevant sale. Where guarantees or non-refundable advances have been given in respect of sale proceeds, no consolidation is treated as revenue until the aggregate sales of the relevant items exceed the amounts of the guarantees or advances.
- Deferred taxation**
Provision is made for deferred taxation, at the lesser known rates, on the excess of taxation allowances claimed on furniture, fittings and equipment over depreciation charges made in the accounts and on certain other revenue and expenses which are dealt with for taxation purposes in periods different from those in which they are dealt with in the accounts. No provision is made for the potential taxation liability which might arise if the properties in the United Kingdom were to be sold at their revised amounts, on the grounds that there is no intention to dispose of these properties.
- Foreign currencies**
Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the date of the balance sheet. Unrealised surpluses and deficiencies on translation at the balance sheet date are transferred directly to reserves. Realised exchange surpluses and deficiencies are included in earnings before taxation.
- Claims**
Provision is made, where appropriate, for possible liabilities arising from claims by purchasers under guarantees of authenticity of works of art in the year in which the claim is notified to the Group.

Earnings

Notes	Year ended 30th September		Year ended 31st August		Six months ended 28th February
	1972	1973	1974	1975	
(a)	1872	2800	2800	2800	1877
Gross revenue	4,812	11,376	13,388	13,149	16,828
(b)	5,448	7,579	10,939	12,859	14,238
Earnings before taxation	1,466	3,796	2,450	1,888	2,590
(c)	885	1,378	1,461	883	1,508
Earnings after taxation	771	3,417	1,389	428	1,708
(d)	—	—	—	—	—
Earnings after taxation attributable to shareholders of the Company	771	1,813	1,032	428	846
(e)	100	88	32	76	116
Retained earnings	883	1,717	1,096	353	1,618
(f)	—	—	—	—	—
Earnings per share	7.7p	18.1p	10.3p	4.3p	17.0p

Notes:
(a) The earnings of each of the three years ended 30th September 1974, include those of the United States subsidiaries for the years ended 31st August in each case. The earnings for the period ended 31st August 1975 comprise, with minor exceptions, those of the United States subsidiaries for 12 months, of the Netherlands subsidiaries for 23 months and of the remainder of the Group for 11 months, all ended on that date.

(b) If the accounting date had not been changed in 1975 it is estimated that the Group's earnings before taxation for the year to 30th September 1975 would have been approximately £370,000 less than the amount of £1,466,000 shown for the period ended 31st August 1975. This estimate mainly because the Company's principal United Kingdom subsidiary holds few securities in the month of September whilst fixed expenses continue.

(c) Gross revenue comprises:-
Commissions
Other income arising from fine art auctioneering and related activities
Gross proceeds of sales of works of art purchased by the Group as principal

(d) Expenses include the cost of sales of works of art held by the Group as principal, and:-
Depreciation of fixed assets
Interest payable

(e) Taxation is based on the earnings for each period and consists of:-
United Kingdom corporation tax
Relief for overseas taxation
Overseas taxation
Deferred taxation

(f) The earnings after taxation attributable to shareholders of the Company were derived from:-
United Kingdom companies
Overseas subsidiaries

(g) The total amounts of dividends, and the amounts per share, paid by the Company in respect of the six accounting periods ended 28th February 1977 are as follows:-
Total amount paid:-
Preferred Participating Ordinary Shares of 5p each
Ordinary Shares of 5p each

Accounts per share:-
Preferred Participating Ordinary Shares of 5p each
Ordinary Shares of 5p each

Includes £20,000 (£1.20 per share) gross amount paid under deduction of income tax.
Dividends amounting to £10,000 were waived by holders of 10,000 Ordinary Shares, with the result that in the calendar year 1973 dividends were not paid on all the issued shares of the Company ranking for dividend.

Dividends amounting to £16,000 were waived by holders of 20,000 Ordinary Shares, with the result that in the calendar year 1975 dividends were not paid on all the issued shares of the Company ranking for dividend.

No dividend was paid on the Deferred Shares of 5p each or on the Incentive Shares of 5p each in respect of any of the above accounting periods.

(h) Earnings per share have been calculated throughout on 20,000,000 new Ordinary Shares proposed to replace all the paid up share capital in issue on 28th February 1977 and on the earnings of each period after taxation and minority interest. The diluted earnings per share, calculated on the basis that the options to subscribe for 550 further Incentive Shares were exercised and that all the Incentive Shares then in issue were converted into Ordinary Shares, do not differ materially from the undiluted figures shown above.

Company	Group					
	28th February	30th September	31st August	31st August	28th February	1977
1977	1877	2800	2800	2800	1877	2800
2800	2800	2800	2800	2800	2800	2800
4,288	11,376	13,388	13,149	16,828	14,238	16,828
(a)	5,448	7,579	10,939	12,859	14,238	14,238
(b)	1,466	3,796	2,450	1,888	2,590	2,590
(c)	885	1,378	1,461	883	1,508	1,508
(d)	771	3,417	1,389	428	1,708	1,708
(e)	100	88	32	76	116	116
(f)	883	1,717	1,096	353	1,618	1,618
(g)	—	—	—	—	—	—
(h)	7.7p	18.1p	10.3p	4.3p	17.0p	17.0p
(i)	—	—	—	—	—	—
(j)	—	—	—	—	—	—
(k)	—	—	—	—	—	—
(l)	—	—	—	—	—	—
(m)	—	—	—	—	—	—
(n)	—	—	—	—	—	—
(o)	—	—	—	—	—	—
(p)	—	—	—	—	—	—
(q)	—	—	—	—	—	—
(r)	—	—	—	—	—	—
(s)	—	—	—	—	—	—
(t)	—	—	—	—	—	—
(u)	—	—	—	—	—	—
(v)	—	—	—	—	—	—
(w)	—	—	—	—	—	—
(x)	—	—	—	—	—	—
(y)	—	—	—	—	—	—
(z)	—	—	—	—	—	—
(aa)	—	—	—	—	—	—
(ab)	—	—	—	—	—	—
(ac)	—	—	—	—	—	—
(ad)	—	—	—	—	—	—
(ae)	—	—	—	—	—	—
(af)	—	—	—	—	—	—
(ag)	—	—	—	—	—	—
(ah)	—	—	—	—	—	—
(ai)	—	—	—	—	—	—
(aj)	—	—	—	—	—	—
(ak)	—	—	—	—	—	—
(al)	—	—	—	—	—	—
(am)	—	—	—	—	—	—
(an)	—	—	—	—	—	—
(ao)	—	—	—	—	—	—
(ap)	—	—	—	—	—	—
(aq)	—	—	—	—	—	—
(ar)	—	—	—	—	—	—
(as)	—	—	—	—	—	—
(at)	—	—	—	—	—	—
(au)	—	—	—	—	—	—
(av)	—	—	—	—	—	—
(aw)	—	—	—	—	—	—
(ax)	—	—	—	—	—	—
(ay)	—	—	—	—	—	—
(az)	—	—	—	—	—	—
(ba)	—	—	—	—	—	—
(bb)	—	—	—	—	—	—
(bc)	—	—	—	—	—	—
(bd)	—	—	—	—	—	—
(be)	—	—	—	—	—	—
(bf)	—	—	—	—	—	—
(bg)	—	—	—	—	—	—
(bh)	—	—	—	—	—	—
(bi)	—	—	—	—	—	—
(bj)	—	—	—	—	—	—
(bk)	—	—	—	—	—	—
(bl)	—	—	—	—	—	—
(bm)	—	—	—	—	—	—
(bn)	—	—	—	—	—	—
(bo)	—	—	—	—	—	—
(bp)	—	—	—	—	—	—
(bq)	—	—	—	—	—	—
(br)	—	—	—	—	—	—
(bs)	—	—	—	—	—	—
(bt)	—	—	—	—	—	—
(bu)	—	—	—	—	—	—
(bv)	—	—	—	—	—	—
(bw)	—	—	—	—	—	—
(bx)	—	—	—	—	—	—
(by)	—	—	—	—	—	—
(bz)	—	—	—	—	—	—
(ca)	—	—	—	—	—	—
(cb)	—	—	—	—	—	—
(cc)	—	—	—	—	—	—
(cd)	—	—	—	—	—	—
(ce)	—	—	—	—	—	—
(cf)	—	—	—	—	—	—
(cg)	—	—	—	—	—	—
(ch)	—	—	—	—	—</	

Sotheby Parke Bernet Group Limited

Continued

Balance Sheet and Application of Funds

Table showing financial data for Sotheby Parke Bernet Group Limited, including Balance Sheet and Application of Funds for the year ended 31st August 1977.

7 Accounts: No audited accounts of the Company or any of its subsidiaries have been made up in respect of any period subsequent to 28th February 1977.

Yours faithfully, DELOITTE & CO. TANSLEY WITT & CO. Chartered Accountants Chartered Accountants

APPENDIX I PREMISES

Table detailing the Group's principal auction rooms, including descriptions, terms, and valuations.

APPENDIX II FORECAST OF EARNINGS

1 Bases and Assumptions: The forecast of earnings before tax of the Company and its subsidiaries for the year ending 31st August 1977...

2 Reports: The following are copies of reports to the Directors of the Company relating to the forecast of earnings before tax and tax charge for the year ending 31st August 1977...

APPENDIX III STATUTORY AND GENERAL INFORMATION

1 Share Capital: There have been the following changes in the issued share capital of the Company during the two years preceding the date of this Offer for Sale...

(1) 46,470,499 new Ordinary Shares of 5p each were issued... (2) 10,275,000 new Ordinary Shares of 5p each were issued... (3) 10,275,000 new Ordinary Shares of 5p each were issued...

2 Articles of Association: The Articles of Association of the Company, referred to herein, contain provisions (inter alia) to the following effect: (1) Year of Meeting...

3 Subsidiary Companies: The principal subsidiary companies, none of whose shares are listed on a Stock Exchange and which are, except where indicated, wholly-owned, are as follows: Sotheby Parke Bernet & Co. United Kingdom 24th March 1966...

Table listing subsidiary companies with columns for Name, Place and Date of Incorporation, and Issued Share Capital.

4 Directors' Interests: On completion of the Offer for Sale agreement referred to below, the interests of the Directors in the share capital of the Company, all of which are beneficial, (excluding any Ordinary Shares which any of the Directors own in their capacity as directors of the Company) are as follows:

Table showing Director's Interests with columns for Name, Ordinary Share of 25p each, and Value.

5 Other Significant Interests: Save for the holding of Rothchild Investment Trust Limited ("RIT") which will on completion of this Offer for Sale beneficially own 1,000,000 Ordinary Shares of 25p each (equivalent to 10 per cent. of the issued share capital of the Company)...

6 Offer for Sale Agreement: Under contract (S) below the Bank has agreed, subject to submission to the Official List not later than 6th July 1977, to sell for the account of the Company...

7 Contracts: The following contracts, not being contracts in the ordinary course of business, have been entered into within the two years immediately preceding the date hereof and are, or may be, material: (1) Trust Deed dated 6th October 1975...

8 Taxation: The Directors are satisfied, having regard to the legal advice which they have received, that at no time since its incorporation has the Company been a close company and that it will not be a close company after the completion of this Offer for Sale...

9 Inflation Accounting: The Directors have considered the possible effects of the system of inflation accounting proposed in Exposure Draft No. 18 dated 15th August 1976...

10 General: (1) The Company was incorporated in England under the Companies Act 1948 to 1967 on 1st October 1970 and its registered number is 999797. (2) The Company is a public company...

(11) Deletoe & Co. and Tansley Witt & Co. have given and have not withdrawn their written consents to the issue of this Offer for Sale with the inclusion of their joint report and joint letter (and the references therein) in the form and content in which they are included... (12) Documents Available for Inspection: Copies of the following documents may be inspected at the offices of Slaughter and May...

PROCEDURE FOR APPLICATION: National Westminster Bank Limited, New Issues Department, P.O. Box 79, Drapers Gardens, 7 Throgmorton Avenue, London EC2A 3BD will receive applications...

and from the following branches of National Westminster Bank Limited: Birmingham, 10 Colmore Row, B3 3LS; Bristol, 31 Corn Street, BS9 9PZ; Cardiff, 117 St. Mary Street, CF1 1LG; Edinburgh, 80 George Street, EH2 3JZ; Glasgow, 14 Blythwood Square, G4 2LJ; Leeds, 48 New Road, LS1 1QS; Liverpool, 7 Water Street, L3 9EP; Manchester, 55 King Street, M60 2DB; Newcastle upon Tyne, 21 Mosley Street, NE99 1PS; Sheffield, 66 St. Ann Street, S1 2NT; Torquay, 15 Strand, TQ1 2AQ.

Sotheby Parke Bernet Group Limited Offer for Sale by Kleinwort, Benson Limited N. M. Rothschild & Sons Limited S. G. Warburg & Co. Ltd. of 3,850,000 Ordinary Shares of 25p each at 150p per share payable in full on application.

APPLICATION FORM: THE APPLICATION LIST FOR THE ORDINARY SHARES NOW OFFERED FOR SALE WILL OPEN AT 10 a.m. ON THURSDAY, 30th JUNE 1977, AND MAY BE CLOSED AT ANY TIME THEREAFTER.

Table showing examples of amounts payable on application for different numbers of shares applied for.

To Kleinwort, Benson Limited, N. M. Rothschild & Sons Limited, S. G. Warburg & Co. Ltd. I/We enclose a cheque for the above-mentioned sum, being the full amount payable on application for the above-stated number of Ordinary Shares of 25p each in Sotheby Parke Bernet Group Limited...

IMPORTANT: To comply with the provisions of the Exchange Control Act 1947, the applicant(s) must make the declaration contained in the following paragraph, or, if unable to do so, must make such declaration and arrange for application to be lodged through an Authorised Depository or an Approved Agent in the Republic of Ireland. No application can be considered unless this condition is fulfilled.

Form for application with fields for Name, Address, Post Code, and Signature, and a table for FOR OFFICE USE ONLY.

PLEASE PIN CHEQUE HERE: All joint applicants must sign and give names and addresses. A Corporation may complete under hand by a duly authorised officer who should state his representative capacity.

NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION: NO RECEIPT WILL BE ISSUED FOR THE PAYMENT ON APPLICATION. Payment should be made through the post in due course, at the risk of the applicant(s), either by fully paid Letter of Acceptance for all the shares applied for, or by a fully paid Letter of Acceptance for the shares applied for and accepted and a cheque for any unaccepted money, or by the return by cheque through the post of the application money.

OVERSEAS MARKETS

Market remains in buoyant mood

BY FRANCIS GH

THE EUROBOND market was in a buoyant mood throughout last week and this enabled managers of new issues to cut coupons or increase the size of a number of issues...

apart from the strength of the dollar sector. Manitoba was priced at 9 1/2 and CFF had its coupon cut to 6 1/2 per cent. Buying interest for this issue is said to be particularly strong in France and Switzerland...

most other corporate bonds raised in overseas markets have no guarantees. Meanwhile, the Algerian state shipping company CNAW is raising 10m. Bahraini dinars...

for 60.13 per cent of the volume months. It will come as a surprise to no one to discover with 13.93 per cent, Japan with 6.4 per cent followed by Australia and New Zealand with 4.36 per cent.

NEW YORK - DOW JONES table with columns for June 24, 25, 26, 27, 28, 29, 30, 1977, and 1976. Includes sub-tables for Industrial, Transportation, Utilities, and Standard and Poors.

Y.S.E. ALL COMMON table with columns for June 24, 25, 26, 27, 28, 29, 30, 1977, and 1976. Includes sub-tables for Montreal and Toronto.

GERMANY table with columns for June 24, 25, 26, 27, 28, 29, 30, 1977, and 1976. Includes sub-tables for Bonn and Frankfurt.

JOHANNESBURG table with columns for June 24, 25, 26, 27, 28, 29, 30, 1977, and 1976. Includes sub-tables for MIMES and AUSTRALIA.

OVERSEAS SHARE INFORMATION

NEW YORK table listing various stocks with columns for 1977, 1976, and June 26. Includes sub-tables for High, Low, and Stock.

Table listing various stocks with columns for 1977, 1976, and June 26. Includes sub-tables for High, Low, and Stock.

CANADA table listing various stocks with columns for 1977, 1976, and June 26. Includes sub-tables for High, Low, and Stock.

Table listing various stocks with columns for 1977, 1976, and June 26. Includes sub-tables for High, Low, and Stock.

AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Brown Shipley & Co. Ltd., Guardian Royal Ex. Unit Mgrs. Ltd., and others, with columns for fund names and values.

Table listing various unit trusts such as British Life Office Ltd., Midland Bank Group Unit Trust Managers Ltd., and others, with columns for fund names and values.

Table listing various unit trusts such as National and Commercial, National Provident Inv. Mgrs. Ltd., and others, with columns for fund names and values.

Table listing various unit trusts such as National and Commercial, National Provident Inv. Mgrs. Ltd., and others, with columns for fund names and values.

Table listing various unit trusts such as National and Commercial, National Provident Inv. Mgrs. Ltd., and others, with columns for fund names and values.

OFFSHORE AND OVERSEAS FUNDS

Table listing various offshore and overseas funds such as Fidelity Mgmt. & Res. (Bda) Ltd., Kemp-Gee Management Jersey Ltd., and others, with columns for fund names and values.

INSURANCE, PROPERTY, BONDS

Table listing various insurance, property, and bond funds such as Abbey Life Assurance Co. Ltd., Equity & Law Life Ass. Soc. Ltd., and others, with columns for fund names and values.

FINANCIAL TIMES STOCK INDICES

Table showing stock indices for various markets including London, New York, and others, with columns for index names and values.

HIGHS AND LOWS

Table showing high and low values for various stock indices, with columns for index names and values.

FT—ACTUARIES INDICES

Table showing actuarial indices for various markets, with columns for index names and values.

HONG KONG

Table listing stock prices for various companies in Hong Kong, with columns for company names and prices.

SINGAPORE

Table listing stock prices for various companies in Singapore, with columns for company names and prices.

GLAVE INVESTMENTS LIMITED advertisement with contact information and a list of services including insurance and property management.

July 1935

FT SHARE INFORMATION SERVICE

Henry Boot Great people to build with Henry Boot Construction Limited, Dronfield, Sheffield S18 6XR

CANADIANS

Table of Canadian stocks including S.S.J., Bell Canada, and others with columns for price, dividend, and yield.

BUILDING INDUSTRY - Continued

Table of building industry stocks including Allied Building, Balfour Beatty, and others.

DRAPERY AND STORES - Continued

Table of drapery and stores stocks including J. & J., J. & J., and others.

ENGINEERING - Continued

Table of engineering stocks including James Watt, James Watt, and others.

INDUSTRIALS (Miscel.)

Large table of industrial stocks including various companies like Anglo-Siam, Anglo-Siam, and others.

BANKS AND HIRE PURCHASE

Table of bank and hire purchase stocks including Bank of Montreal, Bank of Montreal, and others.

ELECTRICAL AND RADIO

Table of electrical and radio stocks including British Electric, British Electric, and others.

CHEMICALS, PLASTICS

Table of chemical and plastic stocks including ICI, ICI, and others.

ENGINEERING, MACHINE TOOLS

Table of engineering and machine tool stocks including James Watt, James Watt, and others.

BEERS, WINES AND SPIRITS

Table of beer, wine, and spirit stocks including Allied Brew, Allied Brew, and others.

CINEMAS, THEATRES AND TV

Table of cinema, theatre, and TV stocks including British Electric, British Electric, and others.

DRAPERY AND STORES

Table of drapery and stores stocks including J. & J., J. & J., and others.

ENGINEERING, MACHINE TOOLS

Table of engineering and machine tool stocks including James Watt, James Watt, and others.

FOOD, GROCERIES, ETC.

Table of food and grocery stocks including Anglo-Siam, Anglo-Siam, and others.

COMMONWEALTH & AFRICAN LOANS

Table of commonwealth and African loan stocks including Anglo-Siam, Anglo-Siam, and others.

AMERICANS

Table of American stocks including Anglo-Siam, Anglo-Siam, and others.

RECENTLY LISTED

Table of recently listed stocks including Anglo-Siam, Anglo-Siam, and others.

RECENTLY LISTED

Table of recently listed stocks including Anglo-Siam, Anglo-Siam, and others.

BUILDING INDUSTRY, TIMBER AND ROADS

Table of building industry, timber, and road stocks including Anglo-Siam, Anglo-Siam, and others.

DRAPERY AND STORES

Table of drapery and stores stocks including J. & J., J. & J., and others.

ENGINEERING, MACHINE TOOLS

Table of engineering and machine tool stocks including James Watt, James Watt, and others.

ENGINEERING, MACHINE TOOLS

Table of engineering and machine tool stocks including James Watt, James Watt, and others.

HOTELS AND CATERERS

Table of hotel and caterer stocks including Anglo-Siam, Anglo-Siam, and others.

Handwritten scribble at the top of the page.

Sanwa Bank advertisement with logo and text: 'Serving the world with financial expertise. SANWA BANK Tokyo, Japan'

MINES-Continued table listing various mining companies and their stock prices.

AUSTRALIAN table listing Australian mining and industrial companies.

COPPER table listing copper-related companies and their stock prices.

MISCELLANEOUS table listing various miscellaneous companies.

NOTES table listing various financial notes and securities.

Regional Markets section containing text about market conditions and regional performance.

REGIONAL MARKETS table listing regional market data.

OPTIONS table listing options market data.

DIAMOND AND PLATINUM table listing diamond and platinum market data.

TRUSTS-Continued table listing trust companies and their stock prices.

TRUSTS-Continued table listing trust companies and their stock prices.

OILS table listing oil companies and their stock prices.

OVERSEAS TRADERS table listing overseas trading companies.

RUBBERS AND SISALS table listing rubber and sisal companies.

TEAS table listing tea companies and their stock prices.

India and Bangladesh table listing companies from India and Bangladesh.

Sri Lanka table listing companies from Sri Lanka.

Africa table listing companies from Africa.

MINES table listing mining companies.

CENTRAL RAND table listing companies from the Central Rand region.

EASTERN RAND table listing companies from the Eastern Rand region.

FAR WEST RAND table listing companies from the Far West Rand region.

O.F.S. table listing O.F.S. companies.

FINANCE table listing financial companies.

FINANCE table listing financial companies.

FINANCE table listing financial companies.

FINANCE table listing financial companies.

PROPERTY-Continued table listing property-related companies.

PROPERTY-Continued table listing property-related companies.

PROPERTY-Continued table listing property-related companies.

PROPERTY-Continued table listing property-related companies.

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HIAB LORRY LOADER THE MOST EFFICIENT AND WIDELY USED GEORGE COHEN MACHINERY LTD

Britain's Market presidency ends with London summit

BY ROBIN REEVES

THE BRITISH Government's six-month presidency of the European Community comes to an end this week with a series of ministerial meetings...

A European Commission plan for boosting financial aid towards Common Market regional black spots and restructuring industry...

The meetings will be the Government's last opportunity to improve the U.K.'s record before the job of representing the Community to the rest of the World and presiding at all EEC meetings passes to Belgium.

The consensus in Brussels is that while Britain's performance has been businesslike, it has not lived up to many expectations...

Mr. Callaghan wants the EEC heads of government to concentrate on the economic situation, with particular emphasis on alleviating the continued high level of unemployment in Europe.

nuclear fusion research race. The London heads of government meeting will be preceded in Luxembourg to-morrow by a tripartite conference of Common Market governments, employers and trade unions, presided over by Mr. Denis Healey, the U.K. Chancellor.

On Tuesday, there will be a Council of Social Affairs Ministers to discuss the reforms of the EEC's social fund, presided over by Mr. Albert Booth, the Employment Secretary...

The outcome of both meetings in Luxembourg may contribute to the economic deliberations at the London summit.

To-morrow will also see a Council of Ministers devoted to fisheries, presided over by Mr. John Silkin, Minister of Agriculture. There are several issues in the complex fisheries dossier which require immediate solutions...

BRUSSELS, June 25.

Mr. Silkin spoke in the Commons last week for the first time of Britain's need for a "dominant preference" inside national fishing demanded up to now.

Ruled out

EEC officials hope that this is the signal for an end to the long deadlock over revising the Common Fisheries Policy internally. It would enable discussions to get away from limits to negotiations on the share-out of quantities of fish among the Nine.

Firm decisions or agreements at this meeting are ruled out, if only because the new Government in Ireland, which has an obvious interest in the fisheries issue, does not take office until next week.

Finally, there will be a Council of Transport Ministers, which, it is hoped, will produce a compromise to end the long dispute between the U.K., Ireland and the rest of the Community over the harmonising of lorry drivers' hours.

Leak may stimulate zinc prices inquiry

By John Edwards, Commodities Editor

DOCUMENTS leaked in Australia about the operations of an international producer group controlling zinc prices are expected to stimulate investigations by the EEC Commission into the possibility that Treaty of Rome regulations against cartels have been flouted.

The documents give details of a meeting between Mr. Ron Bamernan, chairman of the Australian Trade Practices Commission, and representatives of Australian zinc smelting companies.

Included in the discussions was a description of how international zinc producers outside the U.S. had controlled the so-called "European zinc producer price since 1964.

Zinc, the third biggest non-ferrous metal, after aluminium and copper, with a Western world production of between 4m. to 5m. tonnes a year.

Canada is the leading supplier, but the U.S., Australia, Peru and European countries are also big producers, with zinc concentrates particularly concentrated in the developed centres of Western Europe and North America.

Galvanising

The Communist bloc produces more than 15m. tonnes a year. The Soviet Union is the world's second biggest zinc producer.

The main uses for zinc are in galvanising steel (for protection against corrosion) and in diecasting. It is used in a very wide range of products for cars, domestic hardware and even toys.

In the years after the setting up of the group in 1964, the European producer price, which is used as the pricing basis for most zinc metal and concentrates sold outside North America, was bolstered by the participating companies when necessary by production cuts and support buying on the main alternative source of supplies - the London Metal Exchange zinc market.

However, although the European zinc producer price remains in existence, the controlling group collapsed last year and ceased to operate when the U.S. Justice Department announced that it was planning to investigate the European zinc cartel, affecting the price of imports into the U.S.

Producer companies involved in Australia, Canada and Europe decided to disband the group in view of possible repercussions against their interests in the U.S. and fears that the EEC Commission competition section would no longer be able to ignore the cartel-like methods used to sustain the European zinc producer price.

Repercussions

The public disclosures about the zinc producer group, which has been known unofficially since it began in 1964, comes at a particularly embarrassing time after the controversy over the alleged uranium club, especially since several of the same governments and companies are involved in both cases.

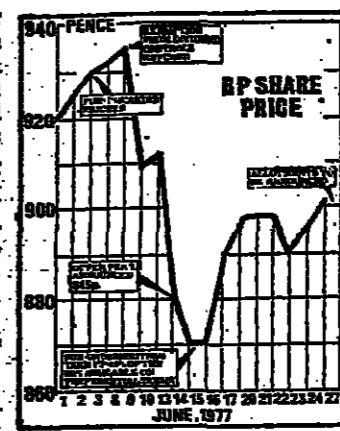
There could also be repercussions in the Commodity markets generally. Strenuous efforts are being made by governments, through UNCTAD, to stabilise raw materials prices as part of the new economic order sought by the poorer countries.

The methods proposed to achieve stability in commodity and metal markets are very similar to those used by the zinc companies to provide a stable price, favoured by both producer and most consumers. Club collapses, Page 14

Price of catching the Express

THE LEX COLUMN

The 4.7 times subscription for the BP offer, along with the strength of the share price on Friday in New York, is an indication of surplus demand which is reassuring for the whole U.K. equity market. Allotments to non-preferential U.K. applicants are plainly going to be very small, especially if (as seems likely) everybody gets at least a token number of shares in order to avoid a ballot. The BP share price will now be influenced on three levels, with stages selling the partly paid, existing U.K. holders switching from fully to partly paid when an arbitrage opportunity appears, and the U.S. taking up the fully paid slack. Once again U.S. demand will be the ultimate determining factor.



shipyards by over \$300m. are to continue produce full capacity. Adding national guarantees and so total financial costs could rise to nearly \$10 billion in perspective, figures in the world's spending are nearly as propping up their allies yards as they are an aid entire Third World.

instance, the market price of the two classes of shares had been so close that only a nominal compensation could be justified. By contrast, Beaverbrook's "A" shares have only rarely been valued in the market at more than 50 per cent of the price of the voters in recent years, and although the differential has varied enormously a ratio of roughly three to one has been typical since 1975.

It may be argued that the market in the voters—over 90 per cent of which are in the firm hands of the Aitken interests or Associated Newspapers—is too narrow to provide a fair basis for valuation. Certainly the relationship thrown up by Friday night's closing prices—300p for Ordinary and 59p for the "A"—looks unjustified, with attention now focusing on a 221/65p formula.

Even on such a basis, which would offer Cavenham a useful profit on its 4 per cent, block of the "A" there are bound to be a lot of arguments about the rights and wrongs of the split. But Cavenham has gone into this affair with its eyes open. A basic principle of the Code is that shareholders in companies which are controlled by their directors have to recognise that the attitude of the Board must be decisive in any takeover bid. For this reason, buying Beaverbrook "A" shares has always been a calculated risk. The Panel is likely to go along with quite a high premium in favour of the voters so long as it is agreed by Rothschild, independent advisers to the Beaverbrook shareholders.

A \$100bn. problem

Over the next seven years Governments around the world will have to subsidise their

Shoppers cut their food buying

By Christopher Parkes

RISE IN PRICES are forcing shoppers to buy less beef, butter, milk, lamb and fresh vegetables.

According to the Ministry of Agriculture's National Food Survey for the first quarter of the year, food is 20.5 per cent more expensive now than a year ago.

The average shopper now spends £4.90 a week on food per person. This is 33p more than in the last part of last year, and 7p more than last June.

The food shopping bill for an average family of four is only 40p short of £30 a week. The Ministry said that actual food consumption was falling, housewives were buying fewer convenience foods and wasting less.

An increasing amount of necessary nutrients were being consumed in public houses in the form of alcoholic drinks.

Butter consumption fell sharply from 5.11 oz per person, per week in the last quarter of last year to 4.67 oz. Margarine sales increased to 3.61 oz. from 3.28 oz. However, according to the Ministry, butter consumption is picking up.

The Exchequer consumer subsidy on butter, scrapped at the end of December, is to be replaced by an 8.5p a pound subsidy paid from Common Market funds.

It is hoped that this will keep up butter consumption in the U.K. Dairy trade estimates suggest that consumption in the U.K. this year could fall by 60,000 tons.

Less milk In the last year, the price of butter has risen 98 per cent. Lamb and chicken are almost 30 per cent dearer and fresh vegetables are up 40 per cent.

Tea is 55 per cent dearer and coffee has gone up 74 per cent. Increases on other foods have been slightly less spectacular—pork up 11 per cent, bacon 3 per cent, sugar 2 per cent, and potatoes 12 per cent.

On January 2, the price of milk went up 1p per pint. Since then, weekly consumption has fallen to 4.52 pints a head, compared with 4.85 pints last June. Purchases of dried skimmed milk have gone up.

Sugar consumption, badly hit when prices leaped in 1974, has still not recovered and averages only 12 ozs a week, compared with 14 ozs three years ago. Potato sales have been affected similarly.

In the first part of last year, fresh meat consumption was slightly over 1 lb a head. It has now fallen to 14.67 ozs. Grocery index, Page 30

Industrial loan demands continue at low level

BY MICHAEL BLANDEN

THE CONTINUED low level of demand for bank loans by manufacturing industry is underlined by the latest breakdown published by the Bank of England.

The figures suggest, however, that there may have been some special factors holding down industry's requirements for bank finance in the three month period to mid-May.

Over this period, there was an increase of £744m. in total outstanding advances by the banks to U.K. residents. Of this, however, £616m. was in foreign currency and after adjusting for the rise in the value of sterling in the period foreign currency lending rose by about £675m.

Sterling advances to U.K. residents rose by £128m. of which £125m. was to the private sector. The Bank of England suggests that, although seasonal adjustment of these figures is not yet possible, there seems to have been an underlying rise of about £350m. during the quarter, compared with a fall of about £180m. in the previous period.

As has already been indicated by the comments of the big clearing banks, the main sources of demand were outside manufacturing industry.

The biggest movements in sterling advances during the quarter included a rise of £167m. or 14 per cent, in lending to retail distribution—where funds may have been required to support a partly unplanned rise in stocks—and a £71m. (6 per cent) increase in lending to the agriculture, forestry and fishing sector.

Advances to manufacturing industry fell by £125m., or 2 per cent. But the Bank points out that the categories which mainly accounted for the decline were engineering, where there were significant rights issues during the period, and vehicles, where funds were made available through the National Enterprise Board.

The food, drink and tobacco group showed an increase of £55m., more than recovering the £25m. drop in the previous period.

The financial category, which includes property companies, fell

by £105m., or 2 per cent, while lending to the personal sector, excluding loans for house purchase, increased by £93m.

Foreign currency advances during the quarter, after adjusting to eliminate the estimated direct effects of changes in exchange rates, rose by some £875m. About £460m. of this reflected U.K. banks' participation in the first tranche of the \$1.5bn. loan to the Government negotiated last January.

Among other lending, increases in advances to the "other distribution" category (£75m.) and to manufacturing industry (£55m.) were less sharp than in the previous three months.

Over the 12-month period to mid-May, sterling advances to U.K. residents rose by £2,670m. or 12 per cent. Lending to manufacturing industry increased by £1,230m. (22 per cent.), to services by \$96m. (13 per cent.), to the personal sector by £255m. (6 per cent.).

Advances to the financial category dropped slightly by £124m. (3 per cent.).

Table, Page 7

Newspaper union leaders move to end Darlington dispute

BY DAVID CHURCHILL, LABOUR STAFF

UNION LEADERS in the newspaper industry are seeking talks this week with the management of the Westminster Press Group in an attempt to end a strike in support of a closed shop by journalists on the Northern Echo, Darlington.

The move comes after violent scenes outside the newspaper's offices early on Saturday morning when 15 pickets, mainly journalists, were arrested by police.

Lord Gibson, chairman of Pearson Longman, which owns the Westminster Press provincial newspaper group, last night repeated his belief that "a closed shop in journalism is against the public interest and is not the way forward."

The attempt to find a settlement to the dispute will be made this week by Mr. Kenneth Morgan, general secretary of the National Union of Journalists, and Mr. Bill Keys, chairman of the TUC printing industries committee.

Mr. Morgan said last night that if the talks failed, the print unions would be asked fully to support the strikers.

In a separate dispute at The Observer, which highlights some of the issues of Press freedom raised during the closed shop

debate, print workers objected on Saturday night to an advertisement seeking support for the management of the Grunwick film-processing laboratories, scene of violent picketing over the last few weeks.

About half The Observer production was lost before print workers agreed to resume work after the intervention of Mr. Len Murray, TUC general secretary.

Statements giving the views of NCUA branches on the advertisement were published on the front page.

The Darlington strike started this month when 106 NUJ members employed by Westminster Press walked out in protest at the employment of Mrs. Josephine Kirk Smith, a sub-editor who refused to join the NUJ.

Mrs. Kirk Smith has since joined the Institute of Journalists, which is not affiliated to the TUC. Last year, the NUJ members at Darlington unilaterally declared a post-entry closed shop for newcomers to the staff.

The arrests on Saturday morning came after a partial attempt by journalists on Friday night to occupy the newspaper's premises. Later that night, a mass picket was arranged to coincide with

the visit of Mr. John Devine, NUJ president, to speak to the strikers. About 100 pickets were involved in attempts to persuade print workers not to enter the offices, and they were matched by an equal number of police.

In his speech to the strikers, Mr. Devine criticised a reported statement by Lord Gibson in the House of Lords saying that he would resign if journalists in the group were conceded a closed shop in journalism.

Lord Gibson said in reply: "When I spoke in the Lords I was giving my views of the impossibility of reconciling free access to the Press with a closed shop in journalism."

"The Westminster Press Board decided to oppose a closed shop before I spoke, and when I spoke there was no discussion in progress. I will do anything I reasonably can to help journalists in their desire to improve their position, but a closed shop in journalism is against the public interest and is not the way forward."

The East London Stratford Express group is preparing to concede a journalists' claim for a post-entry closed shop.

Production of the News of the World in London was hit yesterday by a pay dispute.

BP offer

exceptionally late hour, after a 30-minute halt at 3 p.m. Other offers will also be desirable for the Government. Latest estimates are that the U.S. sale price will be close to the market price. Friday's closing level was \$16.

The City experts who have been handling the sale operation with the Bank of England, including Viscount Gamble of Beckbrooks and A. Scrimgeour, who has been particularly concerned with plans for the U.S. sale—were in constant touch with New York yesterday.

Sir Jasper Holloom, Deputy Governor of the Bank of England, and Mr. Quentin Morris, BP's financial co-ordinator, are in New York for the completion of the sale arrangements. The five-member syndicate of U.S. investment banks acting in the sale is headed by Morgan Stanley,

Chequers meeting on reflation

The Bill for direct elections to the European Assembly and possibly by some form of legislation on industrial democracy.

One of the items on the Liberals' agenda yesterday was whether to press for the inclusion in the Queen's Speech a specific Liberal measure. This would have the benefit of attracting the support of party sceptics.

What remains unclear is the attitude which Liberals will adopt if the Government's tactics over the Direct Elections Legislation fail.

Anthony Harris writes. Any autumn reflation will come on top of a considerable programme in the immediate future. During July measures to combat unemployment among school-leavers are to be introduced—although the net cost of these,

after allowing for unemployment benefit saved, is expected to be very small.

It is regarded as certain that the so-called conditional 2 per cent income-tax cut, which will cost some £900m. and is retrospective to April, will go through. It is also clear that the cancellation of the petrol tax increase insisted on by the Liberals, which will cost the revenue £140m. this year, will be paid for out of the contingency margin in the Budget in April and that no offsetting action will be taken.

What is not at all clear at this stage is whether the Government feels able to fight off the Conservative amendment to the Finance Bill supported by two Tribunites, which would increase personal tax allowances at a cost of £450m. to the Treasury this year, and increase the borrowing requirement by some £350m.

So far as the economic sums are concerned, this can probably be accommodated without undue strain. Treasury estimates suggest that lower than expected interest rates will reduce the net cost of the changes since the Budget to the £100-£200m. range in borrowing terms.

However, the Government would clearly prefer to have this sum in hand to finance measures of its own choosing. It is also still possible that an attempt will be made to reverse the amendments, possibly through introducing new measures acceptable to the Tribune Group as a substitute, which would also have to attract Liberal support. One such measure might be an increase in child benefit, which would do more to help poor families, but might not be payable until next year.

Weather

U.K. TO-DAY RAIN spreading from W. London, S.E. England, E. Anglia, E. Midlands. Sunny spells, occasional rain later. Wind S.W., moderate. Max. 19C (66F).

Cent. England, W. Midlands, Channel Sea. Dry at times, occasional rain later. Wind S.W., moderate or fresh. Max. 19C (66F).

S.W., N.W. England, Wales, Isle of Man. Mainly cloudy, rain at times. Wind mainly S.W., moderate or fresh. Max. 17C (63F).

N.E. England, Borders, Edinburgh, Dundee, Aberdeen, Cent. Highlands, Moray Firth W. Scotland (Glasgow, Argyll, N. Ireland). Sunny intervals; showers or outbreaks of rain. Wind W., moderate. Max. 16-18C (61-64F).

N.E. Scotland, Orkney, Shetland. Sunny intervals; showers or longer outbreaks. Wind N.W., moderate. Max. 14C (57F). Outlook: Changeable.

BUSINESS CENTRES

Table with columns for City, Yesterday, Today, Tomorrow. Lists various international cities and their market status.

HOLIDAY RESORTS

Table with columns for City, Yesterday, Today, Tomorrow. Lists holiday resort cities and their market status.

THOMSON'S EQUITY & LIFE BROKERS LTD. The Surcharge and Higher Rate Tax. The starting point for higher rate tax has been increased somewhat but the marginal rate remains at 83% on investment income 98%.